



2006 Annual Report



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The Chairman's Message

ERC: 5 AFTER 5

The Year 2006 marked the ERC's 5th year of existence. Those 5 years defined, honed, and strengthened us in the course of our mission to promote and protect long-term consumer interest in terms of quality, reliability and reasonable pricing of a sustainable supply of electricity. Indeed, the ERC's accumulated knowledge, experience, and expertise enabled the institution to attain sterling achievements.



Certainly, five years is enough for ERC to oversee the restructuring of the Philippine electricity industry, unbundle the rates and businesses of the industry players, and introduce performance-based regulation. Yet, in an industry that looks further into the future than most other industries as a means to provide for the people's energy needs, five years is relatively short to introduce many other needed reforms. Fortunately, these reforms are well underway.

Fittingly, the ERC's first order of business in 2006 was the conduct of its Strategic Planning Workshop. The Commission wanted to start the year right.

Great challenges require great effort. To celebrate the ERC's 5th year, the Commission unveiled "5 After 5", a catch of our five priorities now after five years. *G.R.E.A.T.* is what the ERC hoped to reach by: 1) supporting the development of the GENERATION sector through timely regulatory intervention; 2) ensuring the RING FENCING (accounting and operational separation) of distribution utilities activities to ensure a level playing field; 3) fulfilling the mandate of EPIRA of being a strong regulator through effective ENFORCEMENT programs; 4) embarking on a cost-effective ADVOCACY program addressed to regulated entities and the electric consumers; and 5) employing effective TECHNIQUES in the workplace to improve the productivity and consistency of the quality of work.

With a sound Plan, the ERC was able to perform the difficult, serious, and full time business of restructuring the Philippine Electricity Industry and face the myriad challenges and opportunities 2006 brought.

Just as in the previous years, 2006 has been a fruitful and rewarding year, thanks to the hard work and dedication of our people, who are the driving force in the ERC's continuous growth and improvement as an organization. The ERC promulgated fifty-five (55) Resolutions, the more important of which are the (1) Distribution Services and Open Access Rules (DSOAR), (2) Rules for the Registration of Wholesale Aggregators, (3) Rules of Practice and Procedure, (4) Rules for the Supplier of Last Resort (SOLR), (5) Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation, (6) Rules for the Default Wholesale Supply Arrangements for the Wholesale Electricity Spot Market (WESM), (7) Competition Rules and Complaint Procedures, (8) Guidelines for the Monitoring of Power Quality and Reliability Standards for Distribution Utilities, (9) Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers, and the (10) Code of Conduct for Competitive Retail Market Participants.

The ERC also decided 193 cases, most of which involved reduction in rates due to the condonation of the debts of the electric cooperatives, resolved 295 residential/industrial/commercial consumer complaints at the pre-hearing stage, and subjected 86 residential/industrial commercial consumer complaints to evidentiary hearings.

In promoting the interests of electricity consumers, the ERC promulgated the *'Guidelines Prescribing Minimum Standards for Frontline Customer Services of Distribution Utilities and Other Electric Service Providers'*, tested and calibrated 1,128,365 watt-hour meters, and monitored 105,335 tampered meters in compliance with Republic Act No. 7832 otherwise known as the *'Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994'*.

Finally, the ERC promulgated the Energy Regulatory Commission's *'Rules of Practice and Procedure'* that updated and expanded the Rules of Practice Governing Hearing Before the ERC (formerly ERB, 1987). The design of the new rules is aligned to the EPIRA, EPIRA-IRR and recent Supreme Court pronouncements.

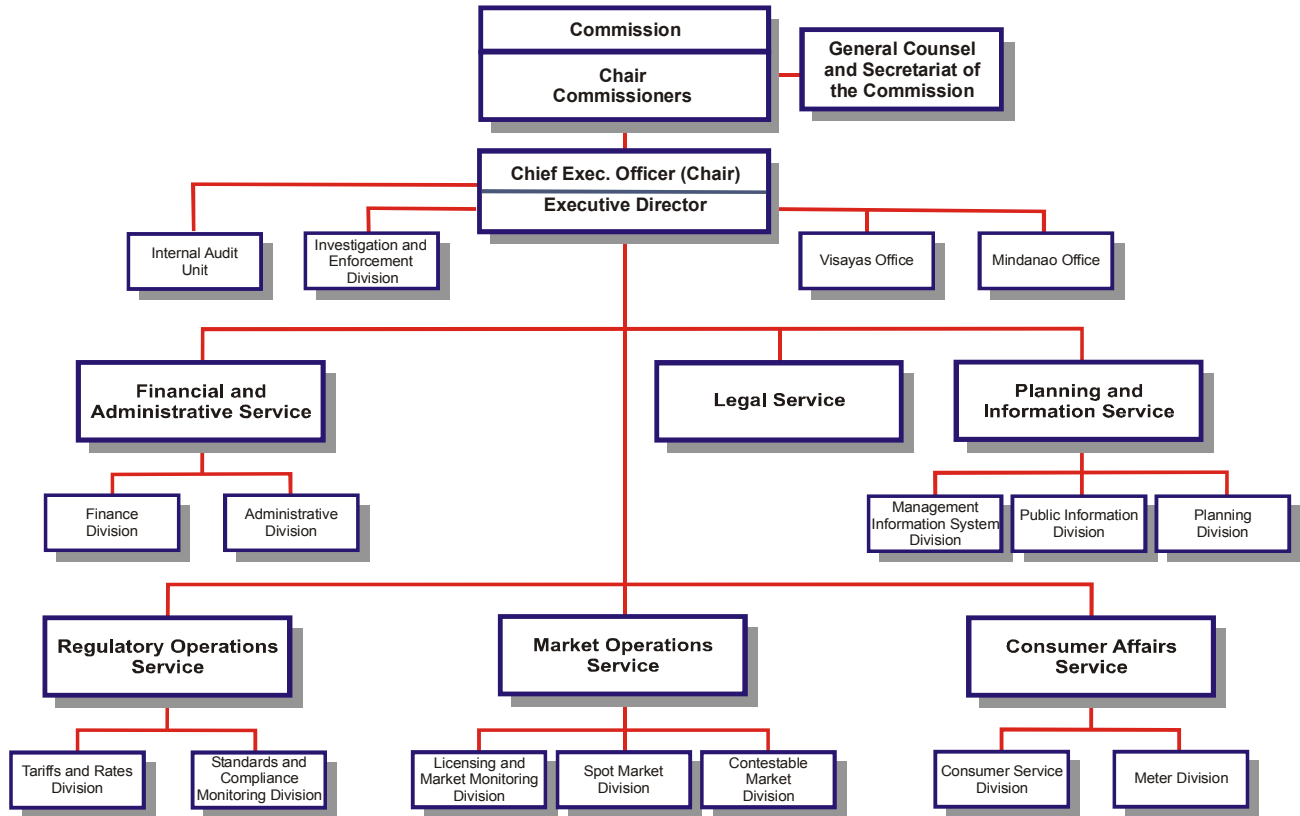
In all these undertakings, it is the ERC's hope that more meaningful connections with our stakeholders and clients were fostered in the same way that the people that make up the ERC were enriched as individuals and strengthened as a whole.


RODOLFO B. ALBANO, JR.
Chairman and CEO

30 April 2007



ENERGY REGULATORY COMMISSION Organizational Structure



The Commission Officials



Oliver B. Butalid*
Commissioner



Rodolfo B. Albano, Jr.
Chairman



Jesus N. Alcordo*
Commissioner



Rauf A. Tan
Commissioner



Alejandro Z. Barin
Commissioner



Maria Teresa R. Castañeda**
Commissioner



Francis Saturnino C. Juan****
Executive Director III

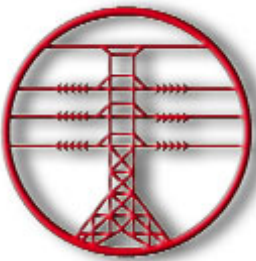



Jose C. Reyes***
Commissioner

* Retired July 10, 2006
** Appointed July 10, 2006
*** Appointed July 12, 2006
**** Appointed August 4, 2006

ERC IN A NUTSHELL


Electric Power Industry Sectors	2006 Highlights	Strategies
<p>GENERATION</p>  <p><i>Composition: Regulated Sector composed of the National Power Corporation (NPC) and 50 Independent Power Producers (IPPs), including those of the Distribution Utilities' (DUs), but competitive upon implementation of retail competition and open access.</i></p> <p><i>Regulatory Framework: For NPC, Return on Rate Base (RORB); for IPPs, their contracts are approved by the ERC for inclusion in the retail rates.</i></p>	<ul style="list-style-type: none"> ● Amended the Terms and Conditions of the Certificate of Compliance (COC). ● Reset the 2006 deadline from January 30 to June 30, 2006 for the submission of the Reportorial Requirements by Generation Companies (GenCos). ● Adopted the Rules for the Registration of Wholesale Aggregators. ● Promulgated the Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers. ● Clarified certain regulatory issues upon the commencement of commercial operations of the Philippine Wholesale Electricity Spot Market (WESM). ● Required all DUs, TRANSCO, NPC, and other regulated entities to submit a semestral report relative to their customers who are enjoying preferential rates. ● Amended the Business Separation Unbundling Guidelines. ● Approved the Price Determination Methodology and the Structure and Level of Market Fees. ● Disapproved the Administered Price Determination Methodology. ● Approved the Administered Price Determination Methodology (APDM) that will govern the determination of the Administered Price by market suspension or intervention. ● Issued 2,196 COCs to GenCos and Self-Generation Facilities (SGFs). 	<ul style="list-style-type: none"> ● Support the development of the GENERATION Sector through timely regulatory intervention. <ul style="list-style-type: none"> a. Efficient Market Monitoring of WESM b. Swift PSA application approvals for SPUG privatization, QTPs and DU-IPPs (time bound) c. Support NPC privatization (approval of TSC contracts) d. Ensure PSALM's efficient disbursement of subsidy to NPPs and QTPs. ● Fulfill the mandate of EPIRA of being a strong regulator through effective ENFORCEMENT programs <ul style="list-style-type: none"> a. Review procedures regarding monitoring all standing directives b. Launch on-site audits covering all aspects (technical, economic, consumer compliances) c. Regular seminars and exams for RCOs d. Compliance ratings for all regulated entities. ● Embark on a cost-effective ADVOCACY program addressed to its regulated entities and the electric consumers. <ul style="list-style-type: none"> a. Sharper website (content and format) b. Institutionalize DU Consultative Conferences c. Printed literature especially annotated issuances d. Consumer hours built-in in all rate cases e. Regional media workshops


Electric Power Industry Sectors	2006 Highlights	Strategies
	<ul style="list-style-type: none"> Approved six (6) applications for revised generation rates. Approved sixty-three (63) TSCs Approved an annual release of PhP1.34 Billion from the Universal Charge – Missionary Electrification (UC-ME) Fund. Approved the Consolidated Watershed Management Program for CY 2003 – 2005 in the amount of PhP182 Million. Resolved the dispute between Hydro Electric Development Corporation (HEDC) and Northern Mini-Hydro Corporation (NMHC) on the one hand and the National Power Corporation (NPC) on the other. 	
<p>TRANSMISSION</p>  <p><i>Composition: Regulated sector with only one regulated entity - the National Transmission Corporation (Transco).</i></p> <p><i>Regulatory Framework: Transco is subject to Performance-Based Rate setting (PBR) methodology using a revenue cap.</i></p>	<ul style="list-style-type: none"> Required all DUs, TRANSCO, NPC, and other regulated entities to submit a semestral report relative to their customers who are enjoying preferential rates. Adopted the Definition and Boundaries of Connection Assets. Appointed TRANSCO as the initial WESM Metering Service Provider. Granted TRANSCO a provisional Certificate of Authority to act as a WESM Metering Service Provider. Specified the Smoothed Maximum Annual Revenue (MAR) in nominal terms from 2006 to 2010. Approved two (2) applications for the sale of sub-transmission assets. 	<ul style="list-style-type: none"> Fulfill the mandate of EPIRA of being a strong regulator through effective ENFORCEMENT programs <ul style="list-style-type: none"> a. Review procedures regarding monitoring all standing directives b. Launch on-site audits covering all aspects (technical, economic, consumer compliances) c. Regular seminars and exams for RCOs d. Compliance ratings for all regulated entities. Embark on a cost-effective ADVOCACY program addressed to its regulated entities and the electric consumers. <ul style="list-style-type: none"> a. Sharper website (content and format) b. Institutionalize DU Consultative Conferences c. Printed literature especially annotated issuances

Electric Power Industry Sectors	2006 Highlights	Strategies
	<ul style="list-style-type: none"> ● Amended the Open Access Transmission Service (OATS) Rules. ● Approved two (2) transmission service agreements. ● Penalized TRANSCO for constructing thirty-one (31) projects without the approval of the ERC. 	<ul style="list-style-type: none"> d. Consumer hours built-in in all rate cases e. Regional media workshops
<p>DISTRIBUTION</p>  <p><i>Composition: Regulated sector composed of 120 Electric Cooperatives (ECs), 19 Private Distribution Utilities (PDUs), and Utilities operating in the Economic Zones.</i></p> <p><i>Regulatory Framework: PDUs are subject to RORB Rate Setting Methodology. The PBR Methodology using a price cap was also introduced on a voluntary basis. ECs are governed by the Cash Flow Methodology.</i></p>	<ul style="list-style-type: none"> ● Promulgated the following: <ol style="list-style-type: none"> 1. Distribution and Open Access Rules (DSOAR); 2. Guidelines Prescribing the Tax Recovery Adjustment Mechanism in the Rates of Electric Cooperatives (ECs); 3. Guidelines for the Monitoring of Power Quality Standards for Distribution Utilities; 4. Guidelines for the Monitoring of Reliability Standards for DUs; 5. Guidelines to Govern the Submission, Evaluation, and Approval of Electric Capital Projects; 6. Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering PBR (First, Second, and Later Entry Points); and 7. Final Asset Valuation Policy Guidelines for Privately Owned DUs Subject to the PBR. ● Required all Regulated Entities to designate a Regulatory Compliance Officer (RCO). ● Instituted a Mandatory Regulatory Education Program (MREP) for the RCO and other key officers of DUs. 	<ul style="list-style-type: none"> ● Ensure the RING FENCING (accounting and operational separation) of distribution utilities activities to ensure a level playing field. <ol style="list-style-type: none"> a. Seminars regarding business separation and approved ACAM b. Consultation with regulated entities. ● Fulfill the mandate of EPIRA of being a strong regulator through effective ENFORCEMENT programs <ol style="list-style-type: none"> a. Review procedures regarding monitoring all standing directives b. Launch on-site audits covering all aspects (technical, economic, consumer compliances) c. Regular seminars and exams for RCOs d. Compliance ratings for all regulated entities. ● Embark on a cost-effective ADVOCACY program addressed to its regulated entities and the electric consumers. <ol style="list-style-type: none"> a. Sharper website (content and format) b. Institutionalize DU Consultative Conferences c. Printed literature especially annotated issuances d. Consumer hours built-in in all rate cases e. Regional media workshops

Electric Power Industry Sectors	2006 Highlights	Strategies
	<ul style="list-style-type: none"> ● Included the conduct of a seminar on DSOAR as a regulatory course under the MREP for RCOs and other key officers of DUs. ● Prescribed mandatory training requirements for the technical personnel of every DU. ● Directed all DUs to remit their proportionate shares to the Distribution Management Committee's 2005 and 2006 Budgets. ● Adopted the following: <ol style="list-style-type: none"> 1. A new billing format for the DUs whose rates are yet to be unbundled for the recovery of the Value-Added Tax (VAT) and other provisions of Republic Act No. 9337; 2. Format for rate applications of DUs except for regulated entities under the PBR; and 3. Format for distribution system loss cap applications of DUs. ● Made mandatory the entry to the Performance Based Regulation (PBR) for Private Utilities under the Distribution Wheeling Rates Guidelines (DWRG). ● Added to the Position Paper on the regulatory reset process for the second regulatory period. ● Clarified the following: <ol style="list-style-type: none"> 1. Issues on the appointment of RCOs and prescribed their duties and responsibilities; and 2. Purpose of the adoption of the Transition Supply Contract (TSC) template. ● Required all DUs, TRANSCO, NPC, and other regulated entities to submit a semestral report relative to their 	

Electric Power Industry Sectors	2006 Highlights	Strategies
	<p>customers who are enjoying preferential rates.</p> <ul style="list-style-type: none"> ● Directed all DUs in Luzon to participate in a consultative meeting on the WESM. ● Ordered all DUs to conduct a public consultation relative to their electrical capital projects (ECPs). ● Directed every private DU to file an application for the recovery of new local franchise tax rates imposed by the local government units (LGUs). ● Summarized the applicable legal principles and policies of the ERC on End-User Connections. ● Amended the Business Separation Guidelines (BSG). ● Appointed the Regulatory Reset Expert for the reset process under the Rules for Setting Distribution Wheeling Rates for privately owned DUs entering PBR (Second Entry Point). ● Decided the application for the unbundling of rates of Dinagat Island Electric Cooperative, Inc. (DIELCO). ● Issued Final Authorities to twelve (12) ECs for the reduction of their rates due to loan condonation. ● Approved three (3) applications for revised rate schedules. ● Ordered sixty-nine (69) more ECs and four (4) more private DUs to remove their inter-class cross subsidy. ● Approved ten (10) power supply agreements. 	

Electric Power Industry Sectors	2006 Highlights	Strategies
	<ul style="list-style-type: none"> ● Authorized six (6) DUs to install, construct, and maintain power projects. ● Approved MERALCO's application for approval of exchange of properties. ● Approved two (2) applications to secure loans and an application to covert an existing dollar-denominated loan to a peso-denominated loan. ● Approved the sound value appraisal of VECO property. ● Authorized MERALCO to charge local franchise tax. ● Issued fourteen (14) CPCNs to MERALCO and Maripipi Multi-Purpose Cooperative, Inc. (MMPC). ● Approved twenty (20) Statements of Compliance and Compliance Plans. ● Penalized PELCO I for not implementing its revised unbundled rates effective the billing month of April 2003. ● Resolved the dispute between Hydro Electric Development Corporation (HEDC) and Northern Mini-Hydro Corporation (NMHC) on the one hand and the National Power Corporation (NPC) on the other. ● Approved MERALCO's new bill format. 	
<p>SUPPLY</p> 	<ul style="list-style-type: none"> ● Promulgated the following: <ol style="list-style-type: none"> 1. Distribution and Open Access Rules (DSOAR); 2. Code of Conduct for Competitive Retail Market Participants; 3. Rules for the Supplier of Last Resort; and 	<ul style="list-style-type: none"> ● Fulfill the mandate of EPIRA of being a strong regulator through effective ENFORCEMENT programs <ol style="list-style-type: none"> a. Review procedures regarding monitoring all standing directives

Electric Power Industry Sectors	2006 Highlights	Strategies
<p><i>Composition:</i> <i>Composed of Suppliers of Electricity and competitive upon implementation of retail competition and open access.</i></p> <p><i>Regulatory Framework:</i> <i>Suppliers will not be subject to the ERC's ratemaking powers, but should secure a license from the ERC and abide by the Competition Rules and other regulations it will issue.</i></p>	<p>4. Competition Rules and Complaint Procedures.</p> <ul style="list-style-type: none"> ● Amended the following: <ol style="list-style-type: none"> 1. Guidelines for the Issuance of Licenses to Retail Electricity Suppliers; and 2. Business Separation Guidelines ● Issued three (3) Retail Electricity Supplier's Licenses. 	<ul style="list-style-type: none"> b. Launch on-site audits covering all aspects (technical, economic, consumer compliances) c. Regular seminars and exams for RCOs d. Compliance ratings for all regulated entities. <ul style="list-style-type: none"> ● Embark on a cost-effective ADVOCACY program addressed to its regulated entities and the electric consumers. <ol style="list-style-type: none"> a. Sharper website (content and format) b. Institutionalize DU Consultative Conferences c. Printed literature especially annotated issuances d. Consumer hours built-in in all rate cases e. Regional media workshops
<p>CONSUMER SERVICES</p>  <p><i>The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests.</i></p>	<ul style="list-style-type: none"> ● Promulgated the Guidelines Prescribing Minimum Standards for Frontline Customer Services of Distribution Utilities and Other Electric Service Providers. ● Tested and calibrated 1,128,365 watt-hour meters. ● Monitored 105,335 tampered meters. ● Resolved 295 complaints at the pre-hearing stage. 	<ul style="list-style-type: none"> ● Embark on a cost-effective ADVOCACY program addressed to its regulated entities and the electric consumers. <ol style="list-style-type: none"> a. Sharper website (content and format) b. Institutionalize DU Consultative Conferences c. Printed literature especially annotated issuances d. Consumer hours built-in in all rate cases e. Regional media workshops

MAJOR ACCOMPLISHMENTS

Generation Sector

Section 6 of the EPIRA states that the generation of electric power, a business affected with public interest, shall be competitive and open. Although not considered as a public utility operation, a Generation Company (GenCo) is still subject to ERC's authority concerning issuance of Certificate of Compliance and market power abuse or anti-competitive behavior.

Upon the implementation of retail competition and open access, the prices charged by a GenCo for the supply of electricity will not be subject to regulation by the ERC except as otherwise provided by the EPIRA.

PROMULGATION OF RULES, REGULATIONS, & POLICIES

Resolution No. 7: A Resolution Amending the Terms and Conditions of the Certificate of Compliance (COC) Issued to Entities Owning Self-Generation Facilities (SGFs) Particularly Item No. 5 Thereof (March 8, 2006)

The ERC, pursuant to its mandate to promote a policy of full disclosure of all transactions involving public interest and provide an environment conducive to wholesome and constructive competition thereby promoting efficiency in the management and operation of industry participants, amended Item No. 5 of the Terms and Conditions of Certificate of Compliance (COC) issued to entities owning SGFs through a Resolution dated March 8, 2006.

Instead of requiring the Generation Company to submit to ERC an electronic copy of the kWh generated, company use, loss or unaccounted energy, volume and amount of fuel utilized to generate power within 10 days after the end of each month, a monthly summary of the same was required to be submitted within 30 days after the end of each year.

Resolution No. 14: A Resolution Resetting the 2006 Deadline from January 30 to June 30 for the Submission of Reportorial Requirements by Generation Companies Pursuant to the Guidelines for the Determination of Installed Generating Capacity and Enforcement of the Limits of Concentration of Ownership, Operation, and Control of Installed Generating Capacity (March 8, 2006)

The ERC resolved to reset the January 30, 2006 deadline for the submission of the reportorial requirements under the Guidelines for the Determination of Installed Generating Capacity and Enforcement of the Limits of concentration of Ownership, Operation, and Control of Installed Generating Capacity to June 30, 2006 to provide the generation companies and other entities ample time to prepare their filings.

Resolution No. 23: A Resolution Adopting the Rules for the Registration of Wholesale Aggregators (May 22, 2006)

The ERC resolved to approve and adopt the Rules for the Registration of Wholesale Aggregators on May 22, 2006. The said Rules establishes the following:

- (1) Qualifications, criteria and limitations of Wholesale Aggregators;
- (2) Requirements and procedures for registration; and
- (3) Obligations of the Wholesale Aggregators.

Resolution No. 28: Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers (May 31, 2006)

The ERC adopted and promulgated the Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers on May 31, 2006 pursuant to Section 30 of the EPIRA.

The guidelines provides that no person or entity may provide metering services as WESM Metering Service Provider unless the person or entity has secured a Certificate of Authority from the ERC to provide metering services.

The following documents must be submitted to the ERC by the applicant upon filing its application for a CA:

1. Company Profile;
2. Proof of Technical Qualification;
3. Financial Capability, including a Business Plan for five (5) years; and
4. Other information that the ERC may require.

Moreover, the WESM Metering Service Provider must comply with the Technical Standards, Financial Standards, Competition Rules, as well as ERC policies and procedures.

Resolution No. 29: A Resolution Granting a Provisional Certificate of Authority to the National Transmission Corporation to Act as a WESM Metering Service Provider (June 21, 2006)

The ERC granted a provisional Certificate of Authority (CA) to TRANSCO to act as the Metering Service Provider (MSP) during the initial operation of the WESM and directed it to comply strictly with the requirements as contained in the Guidelines for the Issuance of a Certificate of Authority for WESM Metering Service Providers.

Resolution No. 30: A Resolution Clarifying and Providing Guidance on Certain Regulatory Issues Upon Commencement of Commercial Operations of the Philippine Wholesale Electricity Spot Market (June 22, 2006)

In its Resolution dated June 22, 2006, the ERC approved and adopted the following policy directions relative to certain regulatory issues following the commercial operations of the WESM:

- (1) Treatment of the National Power Corporation's (NPC) Deferred Accounting Adjustment (DAA) and Incremental Currency Exchange Rate Adjustment (ICERA);
- (2) Enforcement of the requirement in Section 45 of EPIRA that for the first five (5) years from the establishment of a wholesale electricity spot market, no Distribution Utility (DU) shall secure more than ninety percent (90%) of its total demand from bilateral power supply contracts;
- (3) NPC and the Power Sector Assets and Liabilities Management Corporation's (PSALM) Designation as WESM Default Wholesale Suppliers;
- (4) Ancillary Services; and
- (5) Dispatch Protocol/ Minimum Energy Quantity (MEQ) Issue between the NPC and the Manila Electric Company (MERALCO).

Resolution No. 37: A Resolution Clarifying Resolution No. 30, Series of 2006
(July 18, 2006)

The ERC approved and adopted the following clarifications and policies, in addition to those already stated in its Resolution No. 30, Series of 2006:

- (1) Computation of the Deferred Accounting Adjustment (DAA) for both the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Rate Adjustment (ICERA);
- (2) Designation of the Default Wholesale Supply; and
- (3) Transition Supply Contracts (TSCs) are to be treated as special contracts and shall not be considered bilateral power supply contracts for purposes of monitoring compliance with Section 45(c) of the EPIRA.

Resolution No. 47: A Resolution Modifying the Period Within Which all Distribution Utilities, the National Transmission Corporation (TRANSCO), the National Power Corporation (NPC) and other regulated Entities Must Submit Reports on Their Customers Who Are Enjoying Preferential Rates (September 11, 2006)

The Resolution, which the ERC adopted on September 11, 2006, required all DUs, TRANSCO, NPC, and other regulated entities to submit, on a semestral basis, their respective reports relative to the preferential rates they granted to their customers and to set the due date of such submission to the ERC every 15th day of January and July of each year.

Resolution No. 49: A Resolution Amending the Business Separation Guidelines
(June 21, 2006)

The ERC amended the Business Separation Guidelines (BSG) to incorporate additional business segments and activities, and to make it consistent with the Code of Conduct for Competitive Retail Market Participants, which prescribes the operational separation between a DU's regulated and non-regulated business activities. The amendments were appropriately reflected in the Accounting Separation Statements as provided in the BSG.

Wholesale Electricity Spot Market (WESM)

Prior to the commencement of WESM operation in June 2006, three (3) applications were filed by the Department of Energy (DOE)/Philippine Electricity Market Corporation (PEMC). These are the applications for approval of: (1) the Price Determination Methodology (PDM); (2) the Administered Price Determination Methodology (APDM); and (3) the Structure and Level of Market Fees for the WESM.

The Price Determination Methodology (PDM) was approved on June 20, 2006 subject to, among others, the redistribution of the net settlement surplus to market participants, the submission of the Market Network Model and semi-annual impact studies, and the development of policies and procedures for the monitoring of the market.

The ERC disapproved PEMC's proposed Administered Price Determination Methodology for the WESM, which would be imposed during market suspension or intervention. Instead, the ERC approved an APDM based on the administered pricing scheme of the Ontario Electricity Market which shall be equivalent to the load weighted average ex-post energy price of the corresponding trading interval of the four (4) preceding same or similar days that have not been administered.

The ERC reduced PEMC's proposed Structure and Level of Market Fees for the WESM. The ERC approved the Market Registration Fees at PhP50,000.00 plus registration expenses and Market Transaction Fees in the total amount of PhP433,624,276.00 to cover the PEMC's budgetary requirements.

ENFORCEMENT OF RULES, REGULATIONS, & POLICIES

The ERC issued 2,196 Certificates of Compliance (COCs) to Generation Companies (GenCos) and Self-Generation Facilities (SGFs) in 2006 bringing the total number of COCs issued by the ERC to 16,142 since 2005, the breakdown of which is as follows:

Power Plants of NPC, DU and Other IPPs	–	123
Entities with Self-Generation Facilities		
One (1) MW and above	–	588
Below one (1) MW	–	<u>15,431</u>
		16,142

A COC is issued to an Applicant upon compliance with the applicable requirements specified in the Philippine Grid and Distribution Codes, the Wholesale Electricity Spot Market (WESM) Rules, the Cross-Ownership and Market Share Limitations, and the Environmental Compliance Certificate (ECC).

Further, the ERC has issued the first Certificate of Registration to Trans Asia Oil and Energy Development Corporation on November 22, 2006 as a Wholesale Aggregator, subject to TA-OIL's Compliance to the Terms and Conditions attached to the Certificate of Registration. As per the ERC approved Rules for the Registration of Wholesale Aggregators, the registered Wholesale Aggregators can negotiate directly with Distribution Utilities to enter into a power supply contract subject to ERC's approval pursuant to Section 45 (b) of R.A. 9136.

RESOLUTION OF CASES

Approval of Revised Generation Rates

In ERC Case 2006-013 RC, the ERC resolved the 6th GRAM application of the National Power Corporation by approving the following Deferred Accounting Adjustment (DAA) charges:

Luzon	- PhP0.4170/kWh;
Visayas	- PhP0.3203/kWh; and
Mindanao	- PhP0.5048/kWh.

In ERC Case No. 2006-038 RC, DAA charges in the following amounts, receivable in three (3) years, were approved by the ERC in relation to NPC-SPUG's 2nd GRAM application:

Luzon	- PhP660.2 Million;
Visayas	- PhP 85.2 Million; and
Mindanao	- PhP 118.0 Million.

In ERC Case No. 2004-449 (as consolidated with ERC Case Nos. 2004-78 and 2003-186), the ERC resolved NPC-SPUG's application for the approval of a Subsidized/ Approved Generation Rate (SAGR) by approving a uniform increase in the SAGR of PhP1.934/kWh for all the fourteen (14) First Wave NPC-SPUG areas in Luzon except for Masbate where only PhP1.4103/ kWh was approved. No increase was approved for the Visayas and Mindanao NPC-SPUG areas.

In ERC Case Nos. 2001-842 and 2001-58, the ERC approved the inclusion of the Power Purchase Agreement (PPA) of the NPC with Island Power Corporation (IPC) in the Fuel and Purchased Power Clause Adjustment (FPCA) subject to the recoverable base energy of PhP2.50 plus fuel cost adjustment.

In ERC Case Nos. 2001-813 and 2001-457, the ERC also approved the inclusion of the Power Purchase/ Energy Conversion Agreements of the Bakun Hydro Electric Power Plant Project and the Casecnan Multi-Purpose Project, respectively, in the Fuel and Purchased Power Clause Adjustment (FPCA). Any amount in excess of PhP3.8299/ kWh (capacity fee for the San Roque plant) shall form part of the energy charge allowable under the GRAM.

In ERC Case Nos. 2001-814 and 2001-714, the ERC approved the applications for the inclusion of the Power Purchase/ Energy Conversion Agreements of the Natural Gas Combined Cycle Power Plant Project and the Mindanao II Geothermal Power Plant Project (Mt. Apo II) in the Fuel and Purchased Power Clause Adjustment (FPCA). The latter approval, however, was subject to the limitation that the recoverable rate amounts to PhP1.2008/kWh plus the escalation factor provided in the contract.

Transition Supply Contracts (TSCs)

The ERC, in 2006, approved sixty-three (63) TSCs entered into by and between the National Power Corporation (NPC) and the various Distribution Utilities (DUs), thirty-one (31) of which are for the Visayas and the remaining thirty-two (32) for Mindanao:

Visayas Grid

1. Aklan Electric Cooperative, Inc. (AKELCO);
2. Antique Electric Cooperative, Inc. (ANTECO);
3. Biliran Electric Cooperative, Inc. (BILECO);
4. Bohol I Electric Cooperative, Inc. (BOHECO I);
5. Bohol II Electric Cooperative, Inc. (BOHECO II);
6. Bohol Light Co., Inc. (BLCI);
7. Capiz Electric Cooperative, Inc. (CAPELCO);
8. Cebu I Electric Cooperative, Inc. (CEBECO I);
9. Cebu II Electric Cooperative, Inc. (CEBECO II);
10. Central Negros Electric Cooperative, Inc. (CENECO);
11. Don Orestes Romualdes Electric Coop., Inc. (DORELCO);
12. Eastern Samar Electric Cooperative, Inc. (ESAMELCO);
13. Guimaras Electric Cooperative, Inc. (GUIMELCO);
14. Iloilo I Electric Cooperative, Inc. (ILECO I);
15. Iloilo II Electric Cooperative, Inc. (ILECO II);
16. Iloilo Electric Cooperative, Inc. (ILECO III);
17. Leyte II Electric Cooperative, Inc. (LEYECO II);
18. Leyte III Electric Cooperative, Inc. (LEYECO III);
19. Leyte IV Electric Cooperative, Inc. (LEYECO IV);
20. Leyte V Electric Cooperative, Inc. (LEYECO V);
21. Mactan Electric Cooperative, Inc. (MECO);
22. Negros Occidental Electric Cooperative, Inc. (NOCECO);
23. Negros Oriental I Electric Cooperative, Inc. (NORECO I);
24. Negros Oriental II Electric Cooperative, Inc. (NORECO II);
25. Northern Samar Electric Cooperative, Inc. (NORSAMELCO);
26. Samar I Electric Cooperative, Inc. (SAMELCO I);
27. Samar II Electric Cooperative, Inc. (SAMELCO II);
28. Southern Leyte Electric Cooperative, Inc. (SOLECO);
29. Visayas Electric Company, Inc. (VECO);
30. V-M-C Rural Electric Service Cooperative, Inc. (VRESCO); and
31. Aboitizland, Inc.
5. Camiguin Electric Cooperative, Inc. (CAMELCO);
6. Cotabato Light & Power Co. (COLIGHT);
7. North Cotabato Electric Cooperative, Inc. (COTELCO);
8. Davao del Norte Electric Cooperative, Inc. (DANECO);
9. Davao del Sur Electric Cooperative, Inc. (DASURECO);
10. Davao Light & Power Co., Inc. (DLPC);
11. Davao Oriental Electric Cooperative, Inc. ((DORECO);
12. First Bukidnon Electric Cooperative, Inc. (FIBECO);
13. Iligan Light & Power Co., Inc. (ILPI);
14. Lanao del Norte Electric Cooperative, Inc. (LANECO);
15. Lanao del Sur Electric Cooperative, Inc. (LASURECO);
16. Maguindanao Electric Cooperative, Inc. (MAGELCO);
17. Misamis Occidental I Electric Cooperative, Inc. (MOELCI I);
18. Misamis Occidental II Electric Cooperative, Inc. (MOELCI II);
19. Misamis Oriental I Rural Electric Service Cooperative, Inc. (MORESCO I);
20. Misamis Oriental II Rural Electric Service Cooperative, Inc. (MORESCO II);
21. Philippines Veterans Industrial Development, Inc. (PHIVIDEV);
22. Siargao Electric Cooperative, Inc. (SIARELCO);
23. South Cotabato I Electric Cooperative, Inc. (SOCOTECO I);
24. South Cotabato II Electric Cooperative, Inc. (SOCOTECO II);
25. Sultan Kudarat Electric Cooperative, Inc. (SUKELCO);
26. Surigao del Norte Electric Cooperative, Inc. (SURNECO);
27. Surigao del Sur I Electric Cooperative, Inc. (SURSECO I);
28. Surigao del Sur II Electric Cooperative, Inc. (SURSECO II);
29. Zamboanga City Electric Cooperative, Inc. (ZAMCELCO);
30. Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO I);
31. Zamboanga del Sur II Electric Coop., Inc. (ZAMSURECO II); and
32. Zamboanga del Norte Electric Cooperative, Inc. (ZANECO).

Mindanao Grid

1. Agusan del Norte Electric Cooperative, Inc. (ANECO);
2. Agusan del Sur Electric Cooperative, Inc. (ASELCO);
3. Bukidnon II Electric Cooperative, Inc. (BUSECO);
4. Cagayan Electric Power & Light Co., Inc. (CEPALCO);

Universal Charge

In ERC Case No. 2003-424, the ERC approved an annual release of PhP1.34 Billion from the Universal Charge – Missionary Electrification (UC-ME) Fund. This amount constituted the budget for the missionary electrification program of the NPC-SPUG for the years 2005 to 2008.

In ERC Case No. 2005-017, the ERC approved the Consolidated Watershed Management Program for CY 2003 – 2005 in the amount of PhP182 Million. The NPC was also given the flexibility to use the funds for unforeseen but necessary projects in the course of its watershed management operations

Dispute Resolution

In ERC Case No. 2006-091 MC, the ERC resolved the dispute between the National Power Corporation (NPC) and Hydro Electric Development Corporation (HEDC)/ Northern Mini Hydro Corporation (NHMC), by ordering the NPC to use the prevailing unbundled rate as basis for the computation of the effective rate to be paid by it to HEDC and NHMC. The ERC also directed the NPC to pay the difference of the amount paid retroactive to October 2004 without prejudice to recovery from the GRAM. The parties were also required to execute and submit a renegotiated agreement for ERC approval.



The Commission hearing en banc. From left to right; Commissioner Maria Teresa R. Castañeda, Commissioner Alejandro Z. Barin, Chairman Rodolfo B. Albano, Jr., Commissioner Rauf A. Tan and Commissioner Jose C. Reyes.

Transmission Sector

The National Transmission Company (TRANSCO) is the Government-Owned or Controlled Corporation (GOCC) wholly owned by the Power Sector Assets and Liabilities Management Corporation (PSALM) with a nationwide franchise given by Congress to operate the transmission system and the grid. It holds the monopoly in the transmission of electricity.

PROMULGATION OF RULES, REGULATIONS, & POLICIES

Resolution No. 24: A Resolution Requiring All Distribution Utilities, the National Transmission Corporation (TRANSCO), the National Power Corporation (NPC) and Other Regulated Entities to Submit Monthly Reports Relative to their Customers Who are Enjoying Preferential Rates (May 03, 2006) as Modified by **Resolution No. 47: A Resolution Modifying the Period within which All Distribution Utilities, the National Transmission Corporation (TRANSCO), the National Power Corporation (NPC) and Other Regulated Entities must Submit Reports on their Customers who are Enjoying Preferential Rates** (September 11, 2006)

Since the grant of preferential rates to some customers of TRANSCO may lead to cross-subsidies to other customers, the ERC required TRANSCO to submit reports on a per semester basis relative to preferential rates granted to customers. The report must contain the following:

1. List of customers enjoying preferential rates;
2. Kilowatt-hours (kWh) sold to the customers;
3. Approved preferential rate for each customer; and
4. The level of voltage these customers are connected to.

The ERC set the due dates to the 15th day of January and July of each year.

Resolution No. 25: A Resolution Adopting the Definition and Boundaries of Connection Assets (May 23, 2006) as Clarified by **Resolution No. 41: A Resolution Clarifying Resolution No. 25, Series of 2006** (August 2, 2006)

For purposes of determining the transmission wheeling rates, the term “Transmission Connection Assets” or TCAs shall be uniformly defined as those assets that are put in place primarily to connect a customer to the grid and used for purposes of transmission connection services for the conveyance of electricity. These are facilities which, if taken out of the system, will only affect the customer connected to it and will have minimal effect on the grid or other connected customers.

The TCA boundaries are either for load or for generation. The TCAs for load, according to Section 4.1 of the Resolution, include all assets:

1. From the last single mechanical connection of a user system or equipment of a customer, at its connection point, to the last single mechanical connection

which is not shared with another customer within the grid, or which is on a lower voltage terminal of the closest step-down transformer within the grid; or

2. From the last single mechanical connection which is not shared with another customer within the grid, or which is on a lower voltage terminal of the closest step-down transformer within the grid, to the last mechanical connection of a user system or equipment of a customer at its connection point.

The TCAs for generation are:

1. For existing generating plants, the rule is that there is no TCA beyond their connection point to the grid; or
2. For new generation plants, the boundaries of the TCAs are defined in the same manner as for load (Section 4.1 of the Resolution) and include those equipment and transmission lines which the generation plant requires for connection from the connection point at its generation site to the grid and which it is willing to fund as a contributed asset to TRANSCO (which retains ownership and responsibilities for operation and maintenance) because TRANSCO is unable or unwilling to invest in those connection assets at that time; or
3. For expansions to existing generation plants, the incremental investment between the previously existing connection point and the grid required to allow full dispatch of that additional capacity, shall be treated as if it were a TCA for new generation plant.

Resolution No. 28: Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers (May 31, 2006)

The Guidelines provides that during the initial phase of the implementation of the WESM, TRANSCO shall provide the services required of the WESM Metering Service Provider. Other entities are not excluded from doing the same, provided they meet the requirements under the WESM Rules, the PGDC, the Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers, and other applicable laws.

TRANSCO was also required to obtain a Certificate of Authority from the ERC and obligated to comply with the Competition Rules, ERC policies and procedures, and the appropriate technical, financial and operational standards.

Resolution No. 29: A Resolution Granting a Provisional Certificate of Authority to the National Transmission Corporation to Act as a WESM Metering Service Provider (June 21, 2006)

The WESM's opening on June 23, 2006 necessitated the issuance of a provisional Certificate of Authority (CA) authorizing TRANSCO to act as the WESM Metering Service Provider (MSP). This was in accordance with the Guidelines for the Issuance of Certificate of Authority for WESM Metering Service Providers which mandated that a CA must first be secured from the ERC prior to registration with the Market Operator to act as a WESM MSP.

ENFORCEMENT OF RULES, REGULATIONS, & POLICIES/RESOLUTION OF CASES

Maximum Allowable Revenue from 2006 to 2010

In ERC Case No. 2005-041 RC, TRANSCO and PSALM filed a petition for revenue reset for the period 2006-2010 in accordance with the TWRG.

After due consideration, the ERC, on June 13, 2006, resolved, among others, to:

1. Consider the term TRANSCO in the Final Determination as referring to the single entity or joint entities that provide Regulated Transmission Services under the TWRG irrespective of the Concession Agreement eventually agreed upon;
2. Divide the reasonable cost allowed to be recovered into three (3) components, to wit: a. regulated transmission service; b. transmission connection services; and c. residual sub-transmission services;
3. Order TRANSCO to treat the Transmission Connection Service and the Residual Sub-transmission Service as Excluded Services;
4. Order TRANSCO to recover the reasonable costs it incurred in providing transmission connection services and the residual sub-transmission services under the OATS Rules;
5. To adopt the following values as the Annual Revenue Requirement (ARR) in nominal terms.

Year	In PhP Millions				
	2006	2007	2008	2009	2010
Opex Forecast	5,068.8	5,298.1	5,714.6	5,801	5,935.1
Return of Capital	4,569.2	4,813.1	5,100.9	5,288.4	5,403.4
Return on Capital	22,374.4	23,313.1	24,007.1	24,116.2	23,927.4
Other Taxes	605.5	646.4	666.4	678	697
Corporate Income Tax	-	6,240.1	8,384	7,640.9	7,580.6
ARR Forecast	32,617.8	40,310.9	43,873	43,524.5	43,543.5

6. To adopt the following values as the Smoothed Maximum Annual Revenue in nominal terms:

2006 -	PhP 35,611.6 Million
2007 -	37,249.8 Million
2008 -	38,590.8 Million
2009 -	39,710.0 Million
2010 -	41,020.5 Million

Sale of Sub-transmission Assets

In ERC Case No. 2004-102, TRANSCO filed an application for the approval of the sale to San Fernando Electric Light and Power Company, Inc. (SFELAPCO) of the Mexico-SFELAPCO (Magdalena and SMC) and Mexico-Elegant lines. The ERC approved the sale at a net price of PhP12,632,438.42.

In ERC Case No. 2004-145, TRANSCO applied for the approval of the sale of the Cabanatuan-CELCOR 69kV sub-transmission line within the franchise area of Cabanatuan Electric Corporation (CELCOR). The application was approved at a net price of PhP11,161,446.44.

Open Access Transmission Service (OATS)

In ERC Case No. 2006-015 RC, TRANSCO filed an application for the approval of the amendments/ revisions on the rules, terms, and conditions for the OATS, which the ERC approved.

The amendments resulted to the following:

1. The OATS Rules now applies to the Transmission Service Provider acting as System Operator or WESM Service Provider;
2. The OATS Rules now includes the terms on which the Transmission Provider/ System Operator shall provide transmission connection services, residual sub-transmission service, system operation service, and metering service;
3. The OATS Rules now provides for the identification, operation, and maintenance of facilities performing grid functions;
4. The provision for external arbitration was deleted; and
5. The parties to existing OATS or service agreement need to incorporate any amendments to the OATS Rules into that service agreement;

Transmission Service Agreement

In ERC Case No. 2004-295, the ERC approved the transmission service agreement entered into by and between MERALCO and TRANSCO considering that TRANSCO offered a schedule of rates which is reasonable enough to cover the cost of transmission service, and considering that no additional investment is required on its part and that the schedule of TRANSCO rates is fixed for the duration of the project (commencing upon approval by the ERC or at a later date when all the necessary arrangements have been made and until December 31, 2019) and is understood to be inclusive of all transmission-related charges .

In ERC Case No. 2006-051 RC, Clark Electric Distribution Corporation (CEDC) and TRANSCO jointly filed an application for the approval of the memorandum of agreement and transmission service agreement entered into by and between them. These were approved subject to the limitation that any loss incurred by TRANSCO in granting discounts must not be recovered from other customers and not to be recognized as an under-recovery in its Maximum Allowable Revenue (MAR).

Violation of ERC Orders, Rules, and Regulations

In ERC Case Nos. 2004-252 and 2004-383, the ERC fined TRANSCO PhP9.44 Million for constructing thirty-one (31) projects without the approval of the ERC in violation of Section 9(d) of the EPIRA.

Distribution Sector

Republic Act No. 9136 categorizes the distribution of electricity to end-users as a regulated common carrier business and thus, requiring a national franchise. The distribution sector comprises 120 electric cooperatives (ECs) and 19 private utilities (PUs). Distribution Utilities (DUs), as they are commonly called, are subject to ERC's ratemaking powers and the quality of service standards.

PROMULGATION OF RULES, REGULATIONS, AND POLICIES

Resolution No. 01: Distribution Services and Open Access Rules (DSOAR)

(January 18, 2006)

Section 31 of the EPIRA and Rule 12 of its Implementing Rules and Regulations (IRR) provide for the implementation of retail competition and open access. Thus, the ERC approved and adopted the DSOAR through Resolution No. 01, Series of 2006 dated January 18, 2006.

The DSOAR provides for the rules, terms, and conditions pertaining to the Distribution Connection Assets and Services (DCAS), Service to the Captive Market, unbundled Distribution Wheeling Service (DWS), and Guidelines for Establishing Regulated Service Rates.

DCAS relates to those facilities and related services dedicated to completing the connection point of an end-user or generator. DCAS is the responsibility of the DU for end-users in both the captive and the contestable market.

DWS is the wheeling and conveyance of electricity over the DU's distribution system. Unbundled DWS is available in a non-discriminatory fashion.

The establishment of the Regulated Service Rates, on the other hand, involve the allocation of revenue requirements to customer segments and the conversion of the revenue requirement for a particular customer segment into the various rate elements paid monthly by the customers within that customer segment. It adheres to the principle of flexibility to expeditiously adjust rates to promote efficient DU operations. All DUs are to charge rates that reflect the cost-based unbundled structure set forth in the Uniform Rate Filing Requirements (UFR). At no time may the cost or revenues that should be recovered from one unbundled function be shifted onto other unbundled functions and the rate design is to be free of inter-class cross subsidies.

Prior to its adoption, the ERC conducted public consultations on June 16-17, 2005 and July 14, 2005.

The DSOAR supersedes the Energy Regulatory Board's (ERB) Standard Rules and Regulations Governing the Operation of Electrical Power Services and ERB Resolution 95-21, as amended by ERC Case No. 95-368 in its Order dated April 10, 2000.

Resolution No. 02: Approval of the Guidelines Prescribing the Tax Recovery Adjustment Mechanism in the Rates of Electric Cooperatives (ECs) (January 11, 2006)

The Local Government Code (LGC) subjects the Electric Cooperatives to local taxes. In order to ensure that these local taxes are properly imputed in the rates so as to allow the recovery of just and reasonable costs to enable the Distribution Utilities to operate viably, the ERC promulgated the *“Guidelines Prescribing the Tax Recovery Adjustment Mechanism in the Rates of Electric Cooperatives (ECs)”*. This Guidelines applies to all ECs registered under Presidential Decree 269 where local franchise and business taxes are levied within their franchise area.

The franchise tax is calculated using the following formula:

$$FT = DC \text{ of the Customer Bill} \times (Ft + Bt)$$

Where:

FT = Amount of taxes to be recovered in PhP

DC = Distribution Charges in customer bill in PhP

Ft = Local Franchise Tax Rate in %

Bt = Business Tax Rate in %

The franchise and business tax rates imposed by the Local Government Units (LGUs) on the ECs shall require the ERC's approval prior to the recovery of the tax from the customers. A formal request should be filed with the ERC together with the certified true copy of a valid tax ordinance and other relevant data for purposes of verification. Thereafter, the ERC will issue an order authorizing the ECs to recover from their customers the tax rates.

The franchise and business tax arrearages paid prior to the implementation of the above formula shall be recovered using the following Tax Recovery Adjustment Charge (TRAC) Formula:

$$TRAC = \frac{Lft_a + Bt_a}{S}$$

Where:

TRAC = Tax Recovery Adjustment Charge in PhP per kWh applied to the Customer's monthly billing until such time the total franchise and business taxes paid to the local government shall have been fully recovered.

Lft_a = Local franchise tax arrearages (excluding penalty and surcharge) paid prior to the implementation of the approved franchise tax formula.

Bt_a = Business tax arrearages (excluding penalty and surcharge) paid prior to the implementation of the approved franchise tax formula.

S = Projected kWh sales for a particular proposed recovery period or as determined by the ERC.

Resolution No. 04: A Resolution Requiring All Regulated Entities to Designate a Regulatory Compliance Officer (RCO) (February 6, 2006)

The ERC observed that non-compliance with its issuances results from the regulated entities' failure to monitor pertinent issuances for their timely compliance. The ERC believes that such failure may be properly addressed with the designation by the regulated entities of an officer that will see to it that said entity complies with all the issuances. Thus, it issued a resolution requiring all regulated entities, including the DUs, to designate an RCO who shall be a senior level officer within the organization but not the General Manager or the Chief Executive/ Operating Officer.

Resolution No. 05: Instituting a Mandatory Regulatory Education Program (MREP) for the Regulatory Compliance Officer (RCO) and Other Key Officers of Distribution Utilities (February 15, 2006)

The continuing education of RCOs and other officers of the DUs are vital to the effective and efficient implementation of the ERC's rules, regulations, and policies. Therefore, the ERC resolved to require the RCOs and other key officers (Presidents/ General Managers, Finance Managers, Heads of the Technical Department and Heads of Customer Service Departments) of the DUs to attend prescribed courses to apprise them of ERC's policies, rules, regulations, and guidelines.

Certified true copies of the Certificates of Attendance for modules/courses conducted by entities other than the ERC shall be submitted to the ERC within two (2) weeks after the conduct of such regulatory courses for monitoring purposes. Failure to attend the required regulatory courses shall be a ground for the imposition of appropriate fines and penalties upon the DU concerned.

Resolution No. 06: Promulgating the Conduct of a Seminar on the DSOAR as a Regulatory Course under the Mandatory Regulatory Education Program (MREP) for the Regulatory Compliance Officers and Other Key Officers of Distribution Utilities (February 15, 2006)

The ERC identified the DSOAR as a regulatory course that all RCOs, General Managers, Heads of the Technical Department, and Customer Service Department are required to attend. Four (4) separate seminars were scheduled:

March 23-24, 2006 for Mindanao DUs
March 27-28, 2006 for Visayas DUs
March 30-31, 2006 for Southern Luzon DUs and MERALCO
April 3-4, 2006 for Northern Luzon DUs and MERALCO

Resolution No. 08: Mandatory Minimum Training Requirement for the Technical Personnel of Every Distribution Utility (March 8, 2006)

The ERC required all engineering personnel involved in planning to enroll in the "Power System Modeling and Analysis" and "Distribution System Planning" Certification Programs of the University of the Philippines – National Engineering Center (UP-NEC) as

part of their Competency Training and Certification Program in Electric Power Distribution System Engineering. Non-attendance to the aforementioned required Certification Programs shall be a ground for the imposition of appropriate fines and penalties upon the DU concerned.

Resolution No. 09: A Resolution Directing All Distribution Utilities to Remit their Respective Proportionate Shares to the Distribution Management Committee's 2005 and 2006 Budgets (March 8, 2006)

Section 2.2.4.1, Chapter 2 of the Philippine Distribution Code (PDC) provides that the operating costs, including the maintenance of a permanent support staff, of the Distribution Management Committee (DMC) shall be shared among all the DUs as a direct proportion of their annual peak demand or annual energy sales. In 2005 and 2006, the ERC approved the following budget:

BUDGET ITEM	2005		2006	
Personnel Services	PhP	727,997	PhP	2,430,918
Other Contracted Services		187,275		749,100
Honoraria		246,000		492,000
MOOE		870,680		2,327,023
General Plant & Equipment		1,030,000		115,000
Total Amount	PhP	3,061,952	PhP	6,114,041

The ERC attached a computation of each DU's proportionate share based on the 2003 and 2004 Annual Energy Sales and directed the DUs to remit the same not later than April 15, 2006. Each DU is required to submit proof of compliance within fifteen (15) days from date of compliance thereto.



Members of the Distribution Management Committee (DMC) holding their regular meeting.

Resolution No. 10: A Resolution Adopting a New Billing Format for the Distribution Utilities Whose Rates are yet to be Unbundled for the Implementation of the Recovery of Value-Added Tax (VAT) and Other Provisions of Republic Act No. 9337 (March 8, 2006)

The ERC prescribed a new billing format for DUs that were yet to unbundle their respective rates, the sample of which is as follows:

SAMPLE BILL FOR RESIDENTIAL		
Consumption: in kWh	100	
	Rate (PhP/kWh)	Amount (PhP)
Basic Charge	3.6213	362.13
PPA	3.5750	357.50
WAC	0.1098	10.98
MRR/PAR	-0.3000	-30.00
Rate Reduction due to Loan Condonation	-0.0293	-2.93
Universal Charges		
Missionary Electrification	0.0373	3.73
Environmental Charge	0.0025	0.25
Total bill before VAT	7.0166	701.66
Value Added Tax:		
Generation		36.31
Transmission		11.25
Distribution		13.38
Total VAT		60.95
Total bill with VAT		762.61

Where:

PPA	– Purchased Power Adjustment
WAC	– Weighted Average Cost of Capital
MRR/ PAR	– Mandated Rate Reduction / Power Act Reduction
VAT	– Value Added Tax

The Basic Charge has power cost (generation, transmission, and system loss components) and distribution cost components. For the Generation Cost (including MRR/ PAR), 82% was assumed to be the non-renewable component of the said cost while 100% of the ancillary charge (component of the transmission charge) was considered for purposes of calculating the VAT. The PPA has generation and transmission components and the corresponding VATable amounts were based on the same considerations as in the above generation and transmission costs. The WAC and the distribu-

tion component in the basic charge are subject to the 10% VAT. Rate Reduction due to loan condonation is part of the Distribution Charge, hence 10% VATable.

Resolution No. 11: A Resolution Adopting the Guidelines for the Monitoring of Power Quality Standards for Distribution Utilities (March 8, 2006)

Pursuant to Section 43 (b) of the EPIRA and Rule 3, Section 4(g) of its Implementing Rules and Regulations (IRR) requiring the promulgation of the Grid and Distribution Codes that shall include performance standards, the ERC approved the “*Guidelines for the Monitoring of Power Quality Standards for Distribution Utilities (DUs)*”.

The objectives of said Guidelines are: 1) to ensure that the power quality standards specified in Article 3.2 of the PDC are complied with; 2) to adopt the rules and regulations for assessing the level of Power Quality of the Distribution System; 3) to adopt requirements for monitoring Power Quality in relation with a Customer’s complaint; 4) to provide well-defined data to allow trend analysis over time for a given utility or among Distribution Utilities; 5) to establish a way of tracking and identifying Power Quality problems; and 6) to establish reporting requirements to provide consumers, the ERC, and the DUs with methodology for monitoring Power Quality within a Distribution Utilities’ franchise area.

It provides rules for voltage variation, distributors’ obligation to monitor and record variations of other types of power quality standards, and the mitigation of the impact of customer’s loads.

Resolution No. 12: A Resolution Adopting the Guidelines for the Monitoring of Reliability Standards for Distribution Utilities (March 8, 2006)

By virtue of Section 43 (b) of the EPIRA and Rule 3, Section 4 of the IRR prescribing that a Grid and Distribution Code be promulgated in order to facilitate the provision of an efficient, reliable, and quality service to end-users, the ERC approved and adopted the “*Guidelines for the Monitoring of Reliability Standards for Distribution Utilities*”.

The Guidelines seeks to: 1) ensure the continuous provision of electric service to end-users; 2) adopt rules and regulations for assessing the reliability of the distribution system; 3) adopt requirements for maintenance of interruption data, retention of records, and report filing; 4) provide well-defined data to allow trend analysis over time for a given utility or among DUs; 5) establish a way of tracking and identifying system reliability problems; and 6) establish reporting requirements to provide consumers, the ERC, and the DUs with methodology for monitoring reliability within a DU’s franchise area.

The Guidelines also provides for reliability indices and specifications of data inclusions and exclusions, recording requirements, and performance targets.

Resolution No. 13: A Resolution Adopting the Guidelines to Govern the Submission, Evaluation, and Approval of Electrical Capital Projects (March 8, 2006)

Section 43 (f) of the EPIRA provides that any significant operating costs or project investments of the DUs that form part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets, and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest. In addition, the DSOAR and Section 20 (b) of Commonwealth Act No. 146, as amended, require any public service to establish, construct, and maintain any reasonable extension of its existing facilities where such extension is reasonable and practical and will furnish sufficient business to justify the construction and maintenance of the same, and when the financial condition of the said public service reasonably warrants the original expenditure required in making and operating such extension.

These provisions constitute the rationale for the ERC's promulgation of the *"Guidelines to Govern the Submission, Evaluation, and Approval of Electric Capital Projects"*. The Guidelines seeks to: 1) provide the DUs with a uniform system for filing applications for the approval of capital projects; 2) ensure that capital projects are in compliance with the Philippine Grid and Distribution Codes; 3) protect the public interest as it is affected by the rates and services of Electric Utilities and other providers of electric power; 4) ensure the economic, orderly, and efficient development of Electric Utilities' resources that concern public interest; and 5) ensure that procurement of equipment, materials, and services are transparent and compliant with the applicable laws and accepted industry practices and standards.

The Guidelines, among others, classifies projects into major, minor, and emergency capital projects, provides the requirements for applications, describes the evaluation and approval process, itemizes the reportorial requirements, and refers to the *"Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act 9136"* as the basis for penalties to be imposed on violations.

Resolution No. 16: Adopting a Policy that Entry to the Performance Based Regulation (PBR) by Private Utilities under the Distribution Wheeling Rates Guidelines (DWRG) be Made Mandatory (April 11, 2006)

At the time the ERC promulgated the Distribution Wheeling Rates Guidelines in December 2004, entry into the PBR was at the privately owned Distribution Utilities' (PUs') option subject to the ERC's approval. With the issuance of Resolution No. 16, entry into the PBR was made mandatory. The PUs are to choose from five (5) entry groups provided that a limit of five (5) PUs for each group is observed:

Group	Reset Process	Second Regulatory Period
A	Jan. 1, 2006 – June 30, 2007	July 1, 2007 – June 30, 2011
B	April 1, 2007 – Sept. 30, 2008	Oct. 1, 2008 – Sept. 30, 2012
C	Jan. 1, 2008 – June 30, 2009	July 1, 2009 – June 30, 2013
D	Apr. 1, 2009 – Sept. 30, 2010	Oct. 1, 2010 – June 30, 2014
E	Jan. 1, 2010 – June 30, 2011	July 1, 2011 – June 30, 2015

Entry to Group A was made on a first come – first in basis. Manila Electric Company (MERALCO), Dagupan Electric Corporation (DECORP), and Cagayan Electric Power & Light Company, Inc. (CEPALCO) were qualified to enter the PBR. The other PUs remain under the Return on Rate Base (RORB) methodology. The ERC, however, believes that having the PBR as the single system for the setting of distribution rates for private distribution utilities will promote consistency and efficiency. Thus, the ERC passed a Resolution requiring the PUs' mandatory entry into the PBR and mandating them to submit their letter of intent and choose among the four (4) remaining entry points, provided that PUD-Olongapo and Bauan Electric Light System (BELS) are assigned to Group E. The deadline for the submission of the letter of intent was on June 30, 2006.

Resolution No. 17: Addendum to the Position Paper on the Regulatory Reset Process for the Second Regulatory Period (April 11, 2006)

In compliance with Clause 7.1.2 of the DWRG, the ERC published a Regulatory Reset Issues Paper on September 30, 2005. The ERC also published on December 9, 2005 its position with regard to the price reset for the Second (2nd) Regulatory Period. Further clarifications made after the publication of these papers led the ERC to issue an Addendum to address inquiries and include other issues raised.

Among the issues raised and resolved in the Addendum concern historical cost information, expense categories, and performance incentive scheme.

Resolution No. 18: A Resolution Adopting a Format for Rate Applications of Distribution Utilities (Except for Regulated Entities under Performance Based Regulation) (April 11, 2006)

To effectuate the policy of the State to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency, the ERC adopted a format for rate applications of DUs under a methodology other than PBR.

The format seeks to: 1) provide the DUs a uniform rate application format; 2) protect the public interest as it is affected by the rates of DUs and other providers of electric power; 3) balance the interest of the consumers and the public utilities providing electric power through the fair and non-discriminatory treatment of each; and 4) ensure transparency in all rate applications affecting electricity consumers.

The rate application should contain the following:

Paragraph 1 - a brief introduction/ background about the applicant, such as its organization, office address, its officers, and the like.

Paragraph 2 – should include the petition prayed for with a table of comparative existing rates vis-à-vis proposed rates per customer class

Paragraph 3 – should include the reason for raising the rates and a comparison of Revenue Requirements

Paragraph 4 – should include the table of the DUs' proposed Revenue Requirements and brief explanation on the reasons for the increase

Paragraph 5 – should include a discussion on the Functionalization and Allocation of Cost using the Uniform Filing Requirements (UFR) Model to arrive at a Revenue Summary

Paragraph 6 – should include the Computation of Inter-Class Cross-Subsidy, where applicable

Paragraph 7 – should include a brief discussion on the lifeline rates

Paragraph 8 – should briefly discuss the DU's compliance to the IRR on pre-filing requirements

Paragraph 9 – should enumerate the documents in the application

Paragraph 10 – PRAYER by the DU with emphases on the proposed revenue requirement and the specific charges per customer class.

Resolution No. 19: A Resolution Clarifying Issues on the Appointment of a Regulatory Compliance Officer (RCO) and Prescribing the Duties and Responsibilities Thereof (April 05, 2006)

To address the queries regarding the appointment, duties, and responsibilities of RCOs, the ERC issued Resolution No. 19 to make the following clarifications:

1. There is no specific professional background required for an RCO as long as he could function as an Internal Coordinator for purposes of complying with ERC issuances;
2. The Regulated Entity need not create a new position for the RCO, a designation of a Senior Officer suffices; and
3. The replacement of RCO should not be more frequent than once every two (2) years and such replacement binds the ERC only after seven (7) days from receipt of notice.

The following duties of RCOs were also enumerated:

1. Monitor ERC issuances;
2. Assure the timely compliance of the regulated entity to pertinent ERC issuances;
3. Participate in the Mandatory Regulatory Education Programs (MREP) courses;
4. Attend RCO meetings/ seminars/ conferences scheduled by the ERC;
5. Receive all general guidelines/ issuances of the ERC (receipt of RCO is receipt of the regulated entity); and
6. Do such other duties and responsibilities as the ERC may, from time to time prescribe.

Resolution No. 21: A Resolution Suspending the Effectivity and Implementation of Certain Rules Issued by the Energy Regulatory Commission (May 10, 2006)

To obviate the possibility of legal challenge to the validity of the “*Amendment to the Guidelines for the Recovery of Costs for the Generation Component of the Distribution Utilities’ Rates*” and “*Resolution No. 18, Series of 2005, Implementing Section 43(t) of Republic Act No. 9136 and Rule 3, Section 4(m) of the Implementing Rules of the Said Act*”, the ERC suspended the effectivity of the same pending the conduct and termination of public hearings thereon.

The suspension of the said rules was prompted by the doctrine laid down by the Supreme Court that “when an administrative rule goes beyond merely providing for the means that can facilitate or render less cumbersome the implementation of the law and substantially increases the burden of those governed, it behooves the agency to accord at least to those directly affected a chance to be heard and, thereafter, to be duly informed, before the issuance is given the force and effect of law”.

Resolution No. 24: A Resolution Requiring All Distribution Utilities, the National Transmission Corporation (TRANSCO), the National Power Corporation (NPC) and Other Regulated Entities to Submit Monthly Reports Relative to their Customers Who are Enjoying Preferential Rates (May 03, 2006)

The grant of preferential rates to some customers may lead to cross-subsidies to other customers. Thus, to protect the interest of the consumers who are not granted preferential rates by the regulated entities, the ERC required the submission of monthly reports relative to preferential rates granted to customers. The report shall contain the following:

1. List of customers enjoying preferential rates;
2. Kilowatt-hours (kWh) sold to the customers;
3. Approved preferential rate for each customer; and
4. The level of voltage these customers are connected to.

Resolution No. 27 (May 30, 2006) as Clarified by Resolution No. 50: A Resolution Clarifying Resolution No. 27, Series of 2006 (September 20, 2006)

A review of the reports submitted by the Distribution Utilities showed that such no longer fully meet the data requirements of the ERC. To standardize and rationalize reports submission, the ERC adopted new report formats, as follows:

1. Distribution Utility Monthly Report 1 (DU-MO1);
2. Distribution Utility Monthly Report 2 (DU-MO2); and
3. ERC Annual Report Form.

For purposes of submitting the new report forms, the following must be observed:

1. DU-MO1 and DU-MO2 must be verified;
2. DU-MO1 may be modified on the columns part specifying the ‘ERC Approved Customer Class’ only;

3. In the 'Particulars' column, the 'Others (PhP/kWh)' in 'Other Discounts' should be limited to electricity related discounts; and
4. Other charges or other income by the DUs is not included in DU-MO1 and shall be submitted in a separate form indicating such other charges as approved by the ERC.

The ERC clarified on September 20, 2006 Resolution No. 27, as follows:

1. For utilities that submitted their reports using the old format before May 30, 2006, they are deemed to have complied with the MFSR and annual report submission requirement and would be required to comply with Resolution No. 27 starting May 30, 2007; and
2. For those utilities that have not yet submitted the annual reports, they must use the new format and submit the same on or before October 31, 2006.

Resolution No. 32: Resolution Requiring All Distribution Utilities in Luzon to Participate in a Consultative Meeting for the Discussion of Issues on the Wholesale Electricity Spot Market (June 22, 2006)

Since Section 30 of the EPIRA provides that Distribution Utilities are eligible to become members of the WESM, the ERC required all Distribution Utilities in Luzon to designate a representative to the WESM. The designated WESM representatives and the General Managers of the DUs were also required to attend the consultative meeting on June 30, 2006. The exercise is aimed at providing guidance to Distribution Utilities in their participation to the WESM.

Resolution No. 33: Resolution Clarifying the Purpose of the Adoption of the Transition Supply Contract (TSC) Template (June 7, 2006)

As a consequence of several requests for clarification, the ERC issued Resolution No. 33 stating that the approved TSC template issued on July 25, 2005, as amended, only serves as a guide for the parties and is not to be construed as the contract contemplated under Section 67 of the EPIRA which requires that within six (6) months from its effectivity, the NPC must file with the ERC the TSCs duly negotiated with the Distribution Utilities containing the terms and conditions of supply and the corresponding schedule of rates.

Resolution No. 34: A Resolution Requiring All Distribution Utilities (DUs) to Conduct a Public Consultation Relative to their Electric Capital Projects (ECPs) (June 7, 2006)

To afford the consumers with the opportunity to scrutinize whether the ECPs are necessary and indispensable to the rendition of continuous, safe, reliable, adequate, and efficient electric service, the ERC directed the DUs to conduct public consultations relative to their ECPs not later than thirty (30) days before the filing of an application in the case of major ECPs and not later than thirty (30) days prior to implementation in the case of minor ECPs.

For Private DUs, a major capital project is one that costs more than 0.25% of the recorded amount of the Total Net Property and Equipment in Service in the Private DU's latest audited Balance Sheet. For Electric Cooperatives, a major capital project is one that costs more than (>) 0.25% of the recorded amount of the Total Net Property and Equipment in Service in the EC's latest audited Balance Sheet or PhP500,000.00, whichever is higher.

A minor capital project is one that does not qualify as a major capital project.

Resolution No. 36: A Resolution Directing Every Private Distribution Utility (DU) to File an Application for the Recovery of New Local Franchise Tax Rates Imposed by the Local Government Units (LGUs) (July 17, 2006)

Section 4(q), Rule 7 of the Implementing Rules and Regulations (IRR) of the EPIRA provides that "a distribution utility shall pay a franchise tax only on its distribution wheeling and Captive Market supply revenues". In order to ensure and enforce safeguards on the implementation and compliance with the same, the ERC required every private DU to file an application for the recovery of new local franchise tax imposed by the LGUs after the approval of the rates unbundling applications.

Resolution No. 39: Adopting the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance-Based Regulation (First Entry Point) (July 26, 2006)

Pursuant to Section 43(f) of the EPIRA, the ERC approved the RDWR and required Manila Electric Company (MERALCO), Dagupan Electric Corporation (DECORP), and Cagayan Electric Power & Light Company, Inc. (CEPALCO) to use the same as reference in the PBR process.

The Rules sets out:

1. The methodology to be used in setting the maximum distribution wheeling rates that may be charged by the above-mentioned DUs during the First Regulatory Period and by all Regulated Entities during the Second Regulatory Period;
2. The pricing principles with which the ERC must comply for purposes of regulating the maximum distribution wheeling rates that may be charged for the provision of Regulated Distribution Services by all Regulated Entities during the Subsequent Regulatory Period;
3. The annual rate verification and adjustment process which the ERC must undertake in relation to the maximum distribution wheeling rates that may be charged for the provision of Regulated Distribution Services by such Regulated Entities during a Regulatory Period;
4. The regulatory processes and timelines to which both Regulated Entities and the ERC must adhere in order for the methodology established by these Rules to be administered and applied in a timely manner; and
5. The performance indicators, performance targets, and reporting arrangements with which all Regulated Entities must comply during the Second Regulatory Period, and which the ERC must monitor, in order to ensure the effective and efficient delivery of Regulated Distribution Services to consumers.

Resolution No. 43: Adopting the Final Asset Valuation Policy Guidelines for Privately Owned Distribution Utilities Subject to Performance Based Regulations (August 9, 2006)

To provide practical guidance for the valuation of network assets of the private DUs subject to PBR, the ERC approved Resolution No. 43. The Guidelines uses the Optimized Depreciated Replacement Cost (ODRC) approach and provides for its transparent and consistent application to asset valuation.

The ODRC is a valuation approach used to assess the value of assets where:

1. The base value of assets can be based on historical asset costs, indexed replacement costs or on a modern equivalent asset base (MEA); and
2. An optimization component is introduced to ensure that assets are constructed in the most efficient manner possible while maintaining the required service standards.

The valuation approach is normally applied to specialized assets such as electricity transmission and distribution networks. It is likewise consistent with the building block approach used for rate setting purposes in the DWRG.

The ODRC is calculated based on the gross current replacement cost or the GCRC of assets (which can be similar to historically used assets where there has been little technological change) that are adjusted for over-design, over-capacity and/or redundant assets, less an allowance for depreciation.

The application of the ODRC valuation methodology involves the following steps:

1. Defining and identifying the network system assets;
2. Assessing the replacement cost of the assets (GCRC);
3. Optimizing the network configurations and its component assets; and
4. Determining the 'optimized depreciated replacement cost' (ODRC) of the assets.

Resolution No. 47: A Resolution Modifying the Period within which All Distribution Utilities, the National Transmission Corporation (TransCo), the National Power Corporation (NPC) and Other Regulated Entities must Submit Reports on their Customers who are Enjoying Preferential Rates (September 11, 2006)

Recognizing that the submission of monthly reports will impose an unnecessary burden on the concerned DUs, the ERC allowed submission on a semestral basis of reports relative to the preferential rates granted to customers.

The ERC set the due dates to the 15th day of January and July of each year.

Resolution No. 48: A Resolution Summarizing the Applicable Legal Principles and Policies of the Energy Regulatory Commission on End-User Connections
(September 20, 2006)

The ERC summarized the applicable policies on end-user connections in this wise:

1. The end-user that can be served by the franchised DU's distribution system must connect to the said system;
2. The end-user must secure the ERC's approval before it can connect directly to TRANSCO's existing sub-transmission assets and bypass the franchised DU's system. In such cases, the end-user must still pay the applicable charges and other authorized charges that cannot be by-passed;
3. Subject to the ERC's approval, the end-user may be allowed to connect to the grid through the construction of new sub-transmission assets, which can be undertaken by the end-user or the franchised DU, if qualified, or, in its absence, of TRANSCO and treated as Contribution in Aid of Construction, until such time that these assets can be transferred to the franchised DU;
4. If the end-user puts up the assets and lets TRANSCO or the franchised DU operate the same, it shall pay the applicable charges for operating and maintenance expenses. In any case, the end-user shall be liable to pay the applicable charges for services availed from the DU and other authorized charges that cannot be by-passed; and
5. If the franchised DU constructs the assets, the end-user shall pay the charge related to such assets and other applicable charges for services availed from the DU and other authorized charges that cannot be by-passed.

Resolution No. 49: A Resolution Amending the Business Separation Guidelines (BSG) (June 21, 2006)

The ERC amended the BSG to incorporate additional business segments and activities and to make it consistent with the Code of Conduct for Retail Market Participants, which prescribes the operational separation between a distribution utility's regulated and non-regulated business activities.



Electric industry stake holders were apprised of the developments in the industry in one of the conferences conducted by the ERC.

The pertinent amendments relative to the Distribution Sector include the following:

1. Wholesale Aggregation can be considered as an additional business segment under Distribution and Related Activities Business Segment;
2. The distribution utility must ensure that there is no sharing of facilities, assets, employees (except for top management), equipment, and computer hardware/software between its regulated and non-regulated business segments;
3. Last Resort Supply Business Segment comprises the provision of Supplier of Last Resort (SOLR) services namely those pertaining to the sale of electricity to SOLR customers including billing, collection, and the provision of basic customer service;
4. Wholesale aggregation comprises the Distribution Utility's service of purchasing electricity in bulk and selling this to other Distribution Utilities. It also comprises the provision of Wholesale Aggregation services provided by a Distribution Utility, namely services pertaining to the sale of electricity to other Distribution Utilities including billing, collection, and the provision of basic customer service; and.
5. Wholesale Aggregation business segment comprises supply services provided by a Wholesale Aggregator, namely services pertaining to the sale of electricity to Distribution Utilities, and includes:
 - a. Billing, collection, and the provision of customer services to Distribution Utilities;
 - b. Energy trading (including the purchase of electricity and hedging activities) undertaken in connection with the sale of electricity to Distribution Utilities; and
 - c. The sale of electricity to Distribution Utilities.

Resolution No. 52: Appointing the Regulatory Reset Expert for the Reset Process under the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately-Owned Distribution Utilities Entering Performance Based Regulation (Second Entry Point) (October 19, 2006)

Cotabato Light & Power Company, Incorporated (COLIGHT), Ibaan Electric and Engineering Corporation (IEEC), Iligan Light and Power Co., Inc. (ILPI), and Mactan Electric Company (MECO) comprise the Group B entrants to the PBR.

Since the standard procurement process normally involves around two to three (2-3) weeks for the invitation for the submission of Expressions of Interests (EOIs) from various parties and five (5) weeks for evaluation, the ERC resolved to waive the normal procurement process for the selection of consultants and extend the current assignment of PB Associates in the 1st Entry Group to include the necessary work for the Reset Process of the 2nd Entry Group.

Resolution No. 54: Adopting the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately-Owned Distribution Utilities Entering Performance Based Regulation (Second & Later Entry Points) (December 13, 2006)

Since the RDWR for the 1st Entry Point is applicable only to Group A and the intention is to come up with the RDWR for the remaining groups, the ERC approved Resolution No. 54 and required Groups B, C, D, and E (Second and Later Entry Points) to observe the said RDWR for reference in their entry to PBR.

Group	Privately-Owned Distribution Utilities
B	Cotabato Light and Power Company, Inc. (CLPC)
	Ibaan Electric and Engineering Corporation (IEEC)
	Iligan Light and Power Co., Inc. (ILPI)
	Mactan Electric Company (MECO)
C	Cabanatuan Electric Corporation (CELCOR)
	La Union Electric Company, Inc. (LUECO)
	Tarlac Electric Company, Inc. (TEI)
	Visayan Electric Company, Inc. (VECO)
D	Davao Light and Power Company, Inc. (DLPC)
	Panay Electric Company, Inc. (PECO)
	Subic Enerzone Corporation (SEZ)
	San Fernando Electric Light and Power Company, Inc. (SFELPACO)
E	Angeles Electric Corporation (AEC)
	Bauan Electric Light System (BELS)
	Bohol Light Company, Inc. (BLCI)
	Public Utilities Division – Olongapo City (PUD-Olongapo)

Resolution No. 55: A Resolution Adopting a Format for Distribution System Loss Cap Applications of Distribution Utilities (December 18, 2006)

To facilitate the evaluation and review of Distribution System Loss Cap applications, the ERC adopted a template for the applications to be filed pursuant to the System Loss Segregation Guidelines.

The application contains the following:

Paragraph 1 - a brief introduction/ background about the applicant, such as its organization, office address, its officers, and the like.

Paragraph 2 – the proposed segregated system loss caps prayed for a five (5) year period.

Paragraph 3 – the test year segregated system loss.

Paragraph 4 – the DUs' estimates of its segregated system loss for the succeeding five (5) years.

Paragraph 5 – the confirmation that the applicant has submitted four (4) electronic copies of certain information using a specified template.

Paragraph 6 – the confirmation that the applicant has submitted the historical and forecast technical analysis.

Paragraph 7 – PRAYER by the DU.

ENFORCEMENT OF RULES, REGULATIONS AND POLICIES, INCLUDING ISSUANCE OF PERMITS AND LICENSES / RESOLUTION OF CASES

Unbundling of Rates

The application for the approval of the unbundled rates of Dinagat Island Electric Cooperative, Inc. (DIELCO) was granted on February 15, 2006 resulting in an Over-all Average Tariff Adjustment of PhP0.1853/kWh.

The unbundled rates identified and separated the individual charges for providing specific electric service to end-users for generation, transmission, distribution, and supply.

Reduction in Rates Due to Loan Condonation

The ERC's mandate to ensure the reduction in rates due to loan condonation is found in Section 60 of the EPIRA. The loans condoned were those incurred by the Electric Cooperatives for the purpose of financing their rural electrification programs.

The ERC issued Final Authorities to twelve (12) Electric Cooperatives (ECs):

1. Albay Electric Cooperative, Inc. (ALECO);
2. Negros Oriental II Electric Cooperative, Inc. (NORECO II);
3. Negros Occidental Electric Cooperative, Inc. (NOCECO);
4. Camarines Sur II Electric Cooperative, Inc. II (CASURECO II);
5. Siasi Electric Cooperative, Inc. (SIASELCO);
6. Guimaras Electric Cooperative, Inc. (GUIMELCO);
7. Pampanga II Electric Cooperative, Inc. (PELCO II);
8. Pampanga III Electric Cooperative, Inc. (PELCO III);
9. Pampanga Rural Electric Service Cooperative, Inc. (PRESCO);
10. Panay I Electric Cooperative, Inc. (PANELCO I);
11. Nueva Ecija I Electric Cooperative, Inc. (NEECO I); and
12. Dinagat Island Electric Cooperative, Inc. (DIELCO).

As of December 31, 2006, final authorities were already approved for all ECs. The total amount condoned was PhP17.5 Billion and the reduction in rates across all ECs ranges from PhP0.0578/kWh to PhP1.3507/kWh. The average reduction in rates among ECs is PhP0.3570. This resulted in lower electricity bills of the consumers in the rural areas.



The condonation of loans intends to give ECs a fresh start regarding the management of their operations in order to become more financially viable. Any EC, however, which shall transfer ownership or control of its assets, franchise, or operation, shall repay PSALM Corp. the total debt condoned including accumulated interests thereon.

Applications Affecting the Rates

The ERC approved the application for revised rate schedule of Dagupan Electric Corporation (DECORP) in compliance with the Distribution Wheeling Rates Guidelines (DWRG). An Overall Tariff Adjustment (OATA) of PhP0.2019/kWh was approved.

The ERC approved the petition of Visayan Electric Company, Inc. (VECO) to recover the additional costs incurred pursuant to the emergency measures undertaken to avoid its shutdown of operations subject to the recovery of the difference between the Cash Cost and the amount already collected from the consumers pegged at PhP15 Million or the actual Operation and Maintenance expenses, whichever is lower. VECO and Cebu Private Power Corporation (CPPC) were directed to arrive at a permanent agreement to resolve the impasse in the negotiations for the upward adjustment of electricity price before the expiration of the extension of the Cash Cost arrangement.

The ERC dismissed the application of Albay Electric Cooperative, Inc. (ALECO) to charge royalty fee to directly-connected customers of the NPC on procedural ground.

Inter-Class Cross Subsidy Removal

Aimed at ensuring the transparent and reasonable prices of electric service, Section 74 of the EPIRA mandated that all types of cross subsidies be phased out in a period not exceeding three (3) years, extendible for a period of one (1) year if the removal would have a material adverse effect upon the public interest, from the establishment by the ERC of a Universal Charge (UC).

Inter-Class Cross Subsidy refers to the amount charged by DUs to industrial and commercial end-users, as well as to other subsidizing customer sectors in order to reduce electricity rates of other sectors such as the residential end-users, hospitals, and streetlights.



Inter-Class Cross Subsidy Removal for Electric Cooperatives (ECs)

In 2006, sixty-nine (69) more ECs were ordered to start the removal process of, bringing the total to 119 ECs which already begun phasing-out their inter-class cross subsidy.

Table 1: Status of Inter-Class Subsidy Removal for ECs

Removal of Inter-Class Cross Subsidy	No. of ECs
Complete removal	22
$\frac{2}{3}$ removal	10
$\frac{1}{3}$ removal	51
$\frac{1}{2}$ removal	3
$\frac{1}{4}$ removal	33
Total	119

Inter-Class Cross Subsidy Removal for Private Utilities (PUs)

In 2006, four (4) more PUs were ordered to remove cross subsidies bringing the total to fifteen (15) PUs which already started phasing-out their inter-class cross subsidy.

The status of inter-class cross subsidy for PUs is summarized in the table below:

Table 2: Status of Inter-Class Subsidy Removal for PUs

Removal of Inter-Class Cross Subsidy	No. of PUs
$\frac{1}{3}$ removal	7
$\frac{1}{2}$ removal	2
$\frac{1}{4}$ removal	3
40% - 60% removal	2
Complete removal	1
Total	15

Approval of Power Supply Agreement

The ERC approved ten (10) power supply agreements between the following:

1. Davao Light and Power Company, Inc. (DLPC) and Hydro Electric Development Corporation (2);
2. Manila Electric Company (MERALCO) and SunPower;
3. Manila Electric Company and Mirant Global Corporation (MIRANT);
4. Bantayan Island Electric Cooperative, Inc. (BANELCO) and Bantayan Island Power Corporation (BIPCOR);
5. San Fernando Electric Light and Power Company (SFELAPCO) and Hydro Electric Development Corporation;
6. Guimaras Electric Cooperative, Inc. (GUIMELCO) and Trans-Asia Oil Energy Development Corporation (TA-Oil);
7. Bohol I Electric Cooperative, Inc. (BOHECO I) and Sta. Clara International Corporation (SCIC);
8. Panay Electric Company, Inc. (PECO) and Panay Power Corporation (PPC); and
9. Visayan Electric Company, Inc. (VECO) and Cebu Private Power Corporation (CPPC).

The ERC, after hearing the petitions, found them advantageous to customers aside from ensuring the quality, reliability, and security of supply of electricity within their respective franchise areas.

The ERC also approved the petition of Aklan Electric Cooperative, Inc. for the inclusion in its retail rate the cost incurred from the 5MW and 12.5 MW Electric Power Purchase Agreements (EPPA) with Mirant Global Corporation. The approval is subject to the base rate of Php2.4375/kWh (the Operation and Maintenance cost component) adjustable based on the Consumer Price Index (CPI).

Authority to Install, Construct, and Maintain Power Projects

The ERC approved the applications of Angeles Electric Corporation (AEC), Quirino Electric Cooperative, Inc. (QUIRELCO), Manila Electric Company (MERALCO), Agusan Electric Cooperative, Inc. (AGELCO), Bohol Electric Cooperative, Inc. (BOHECO), and Cagayan Electric Power & Light Co., Inc. (CEPALCO) for authority to install, construct, and maintain various capital projects such as construction of substations, sub-transmission lines, and distribution lines. Permit fees in the total amount of Php81.19 Million were imposed for these projects.

Approval of Exchange of Properties

Manila Electric Company (MERALCO) filed an application for approval to convey property by exchange involving a parcel of land situated in Carmelray Industrial Park in Canlubang, Calamba City, Laguna.

After a thorough review and consideration, the ERC approved the application. The conveyance of property would allow MERALCO to pursue its commitment in providing

efficient and reliable electric service in the area. The approval, however, was subject to the limitation that the property conveyed should not be included as part of the rate base as the same was acquired through a donation.

Authority to Secure /Convert Loans

The ERC approved two (2) applications to secure loans and an application to convert an existing dollar-denominated loan to a peso-denominated loan.

The ERC approved the applications of Cagayan Electric Power & Light Co., Inc. (CEPALCO) and Cotabato Light and Power Co., Inc. (COLIGHT) to secure loans in the amount of Php812.7 Million and Php30.5 Million, respectively. These loans were intended to expand, upgrade, enhance, and modernize these PUs' electric distribution system and facilities.

The ERC granted a provisional authority to CEPALCO for authority to obtain loan and enter into a mortgage agreement to secure loan, which was made permanent after a careful evaluation by the Commission in its Order dated September 12, 2005 in ERC Case No. 2003-462.

The ERC authorized CEPALCO's existing dollar-denominated loan in the amount of US\$4.5 Million to be converted into a peso-denominated loan in order to insulate the said loan from the fluctuations of the currency.

Approval of Sound Value Appraisal

The ERC approved the following values for the properties of Visayan Electric Co., Inc. (VECO) as of August 9, 2001:

1. Cost of Reproduction New of Php4.54 Billion; and
2. Sound Value of Php2.45 Billion.

Authority to Charge a Local Franchise Tax

The ERC approved the application of Manila Electric Company (MERALCO) to implement or charge local franchise tax in the Cities of Parañaque, Malolos, and Trece Martires as well as in the Province of Cavite subject to the following conditions:

1. The distribution charge shall be the basis of computing the Local Franchise Tax (LFT);
2. In the meantime, the Tax Recovery Adjustment Cost (TRAC) formula shall be used; and
3. MERALCO shall submit a proposed recovery period for the LFT arrearages.

Issuance of Certificates of Public Convenience and Necessity (CPCNs)

The ERC approved MERALCO's application for the issuance of CPCNs for the following Cities or Municipalities:

1. Malabon;
2. Manila;
3. Pasay;
4. Mandaluyong;
5. Quezon;
6. Caloocan;
7. Makati;
8. Parañaque;
9. Las Piñas;
10. Navotas; and
11. San Juan.

These CPCNs are effective from June 28, 2003 to June 27, 2028 as provided for in MERALCO's approved franchise.

CPCNs for Tiaong, Quezon and San Pablo City, Laguna were also issued to MERALCO.

A CPCN effective from September 3, 2003 to September 2, 2028 was likewise issued to Maripipi Multi-Purpose Cooperative, Inc. (MMPC) for Maripipi, Biliran.



Approval of the Statement of Compliance and Compliance Plans

Section 9.7 of the Philippine Distribution Code (PDC) mandates the Distribution Utilities to submit to the ERC a statement of their compliance with the prescribed technical specifications, performance standards, and financial capability standards. The DUs that failed to comply with the standards and specifications are required to submit a plan to comply within three (3) years.

The ERC approved twenty(20) Statements of Compliance and Compliance Plans of the following:

	Distribution Utility	Estimated Cost of Projects (in PhP)
1.	CASURECO II	11,003,000.00
2.	DORECO	4,166,880.00
3.	GUIMELCO	5,939,866.00
4.	FIBECO	6,520,916.00
5.	DASURECO	16,970,000.00
6.	MARELCO	2,053,500.00
7.	AURELCO	9,882,000.00
8.	QUIRELCO	2,221,335.20
9.	DANECO	44,168,600.00
10.	DORELCO/ LEYECO I	16,298,400.00
11.	BOHECO I	5,092,900.00
12.	BOHECO II	10,065,000.00
13.	LANECO	16,370,000.00
14.	PENELCO	818,500.00
15.	ASELCO	2,772,545.00
16.	ILECO I	8,899,530.25
17.	ANTECO	10,367,000.00
18.	NOCECO	26,726,000.00
19.	SOCOTECO II	27,973,126.30
20.	CASURECO I	14,908,250.00

Violation of ERC Orders, Rules, and Regulations

Pampanga I Electric Cooperative, Inc. (PELCO I) was fined PhP212,700.00 for not implementing the revised unbundled rates effective the billing month of April 2003 and was directed to immediately implement the same.

New Bill Format

The ERC approved Meralco's new bill format on December 11, 2006 in ERC Case No. 2006-122 MC. It has a more customer-friendly design, font, colors, and value-added information. The new bill is shorter than the old one. The print quality was also improved. The service and current billing information are summarized in tables. Graphics and customer-oriented tips and information are likewise included. The contact information of the ERC Consumer Affairs Service (CAS) is also reflected.

The approved format will be used starting January 2007.

Service Info

Service ID Number	1606200601-3
Rate	1 Residential
Contract in the name of	JUAN DELA CRUZ
Service Address	12 MALMIGAO ST. KALAYAN, ANTIQUE

Billing Info

Bill Date	30 JUL 2006
Billing Period	120 JUL 2006 to 30 JUL 2006
Due Date	11 AUG 2006
Total kWh	173
Total Current Amount	PhP 1,572.93

Billing Summary

BILL SUBGROUP	SUBTOTAL	PERCENTAGE
Generation	881.23	55.9%
Transmission	158.52	10.1%
System Loss	144.23	9.2%
Distribution (Meralco)	249.29	15.8%
Subtotal	(18.51)	(1.2%)
Government Taxes	(12.38)	-0.8%
Universal Charge	0.88	0.0%
Other Charge	0.00	0.0%
Total	1,572.93	100.0%

Did You Know?
You can check energy efficiency tips by referring to the service bill distributed in with. The higher the EER number, the lower the power consumption.

News & Info
Meralco will use a new bill format that is simpler and easier to read. It offers valuable tips on electricity safety and energy efficiency. With the new format, you can easily see the significant information you need to know about your bill.

Your monthly electricity consumption chart

For authorized collecting agents

Account Name JUAN DELA CRUZ	Billing Address 12 MALMIGAO ST. KALAYAN, ANTIQUE 6000
Service ID No. (SIR) 606200601-3	Bill From Reference No. 6 606200601 3 07308
	Bill To Reference No. 6 606200601 3 090730 3 060815 07
	Total Current Amount PhP 1,572.93

Meralco's New Billing Format being presented in a Public Consultation (Pub Con).



Supply Sector

Section 29 of the EPIRA provides that all suppliers of electricity to the contestable market, other than the DUs and ECs in their respective franchise areas, must procure a license from the ERC. No franchise is required of suppliers, as the supply of electricity to the contestable market is not considered a public utility operation.

Furthermore, the prices to be charged for the supply of electricity to the contestable market will not be subject to regulation by the ERC although every supplier is required to identify in its billings to end users the segregated cost components thereof.

Electricity suppliers, however, are subject to the rules and regulations concerning abuse of market power, cartelization, and other anti-competitive or discriminatory behavior promulgated by the ERC.

PROMULGATION OF RULES, REGULATIONS, & POLICIES

Resolution No. 1: Distribution and Open Access Rules (DSOAR) (January 18, 2006)

The DSOAR provides for the rules, terms, and conditions pertaining to the Distribution Connection Assets and Services (DCAS), Service to the Captive Market and Unbundled Distribution Wheeling Service (DWS), and Guidelines for Establishing Regulated Service Rates.

DU services in the contestable market include the possible provision of unbundled DWS to the Retail Electricity Supplier (RES), the Supplier of Last Resort (SoLR), other DUs, and generators, as well as DCAS to end-users and generators, and SoLR services to the contestable end-users.

DWS is the wheeling and conveyance of electricity over the DU's distribution system. Unbundled DWS is available in a non-discriminatory fashion.

DCAS, on the other hand, relates to those facilities and related services dedicated to completing the connection point of an end-user or generator. DCAS is the responsibility of the DU for end-users in the contestable market.

Finally, SoLR Services is the back-up supply to the contestable market for contingency when the end-user in the contestable market does not have supply from a competitive RES. Unless otherwise determined by statute or the ERC, all DUs shall perform the duties and obligations as SoLR for the contestable market within their respective franchise areas.

Resolution No. 3: Guidelines for the Issuance of Licenses to Retail Electricity Suppliers, as Amended (February 1, 2006)

The ERC amended the Guidelines for the Issuance of Licenses to Retail Electricity Suppliers (RES), which was promulgated July 13, 2005, in order to include the following:

1. The RES applicant must possess the ability and the knowledge to operate and manage an electricity supply business, which involves the requirement to understand the ERC's rules, codes and guidelines, and their application;
2. The RES applicant must have the ability to set-up and operate within the '*customer-transfer system*' approved by ERC, an automated information exchange associated with business to business (B2B) communications and transactions;
3. The RES shall also provide updated information in a format prescribed by ERC to enable the contestable market to make informed choices; and
4. The RES shall also adopt the B2B interface system approved by the ERC.

Resolution No. 31: A Resolution Adopting the Code of Conduct for Competitive Retail Market Participants (June 7, 2006)

To promote consumer confidence in the retail electricity industry and to protect consumers against discriminatory access to regulated services, the ERC promulgated the Code of Conduct for Competitive Retail Participants. It establishes the responsibilities and required conduct of retail market participants in a competitive environment, which include the following:

Responsibilities

1. The prospective RES must secure a RES license from the ERC, except for the local RES;
2. At least twenty (20) business days prior to its commercial operation, a RES or local RES must submit to the ERC for approval its procedures to resolve complaints by customers in relation to Retail Supply Contracts;
3. A local RES may only market its supply business to customers when at least one (1) RES has been licensed or at least six (6) months prior to the commencement of retail competition;
4. The RES or local RES has to take responsibility for the conduct of its salespersons, salespersons or marketers acting in its behalf, or any other employee, officer, director, contractor or authorized representative;
5. The RES or local RES shall submit to the ERC an annual report of training programs conducted and any information as may be required by it for market evaluation and monitoring purposes;

6. A DU must ensure the operational separation as well as accounting and financial separation from its local RES and affiliates; and
7. A DU shall not accord its affiliate or local RES preferential treatment in relation to the distribution of electricity, connection to the distribution system it operates, maintenance of the system, the provision, installation, commissioning, testing, repair, maintenance of meters, or the reading of meters.

Conduct

1. A RES or local RES, while engaged in marketing shall, among others, comply with all rules, regulations, and guidelines relating to the sale of electricity to customers, not engage in misleading, deceptive or unfair conduct, whether by act or omission, and not exert undue pressure, harass, nor coerce a customer;
2. A RES or local RES must not visit a customer for the purpose of marketing except by prior appointment or when preferred by a customer;
3. A RES or local RES must immediately comply with the customer's request for termination of marketing contracts and refrain from initiating a transaction with that customer again for a minimum period of twenty (20) business days from the date of the request, unless otherwise advised by the customer;
4. A RES or local RES shall take reasonable steps to ensure the continuing training of its salespersons; and
5. A RES or local RES shall ensure that a Retail Supply Contract confers on a customer the right to cancel the same within five (5) business days after signing thereof.

Resolution No. 35: A Resolution Adopting the Rules for the Supplier of Last Resort (June 21, 2006)

To ensure the provision of continuous supply of electricity to customers in the event that a customer is suddenly left without the services of a Retail Electricity Supplier and to encourage customers to exercise their options to choose their supplier of electricity upon commencement of retail competition and open access, the ERC promulgated the Rules for the Supplier of Last Resort (SoLR).

Initially, the DUs shall serve as the SoLR for the contestable market in its franchise area. The SoLR shall perform its duties and obligations in a non-discriminatory manner. DUs which lack the capability to participate in the WESM shall not qualify to serve as SoLR in their respective franchise areas. In this case, a qualified DU from another franchise area shall serve as the SoLR. The supply of electricity by the SoLR to customers outside its franchise area shall always be through the distribution lines of the franchised DU where the customer is located.

The following are the parameters by which a DU can qualify as SoLR outside its franchise area:

1. Capability to participate in the WESM;
2. Geographic proximity;
3. Financial stability; and
4. Willingness to provide SoLR service.

Non-willingness, however, shall not be considered when only one (1) DU meets the first three (3) parameters or when all DUs meet all qualifications, except for said willingness.

Should there be instances when no DU satisfies the parameters, the ERC may consider other entities to serve as SoLR in a given franchise area. The ERC will determine, at least 180 days prior to the commencement of retail competition and open access, which of the qualified DUs or any other qualified entity can serve as SoLR for customers outside their franchise areas.

In areas where there is more than one (1) DU qualified and willing to serve as SoLR in a given locality outside their respective franchise areas, a public consultation shall be held for the customers in that locality to determine the SoLR of their choice.

A DU serving as SoLR to customers outside its franchise area need not apply for a RES license as SoLR service is not competitive but regulated. Likewise, as provided in the DSOAR, the SoLR shall not be a generator of last resort in the event of a power shortage.

Resolution No. 45: A Resolution Adopting the Competition Rules and Complaint Procedures (August 23, 2006)

To ensure and promote competition, encourage market development and customer choice, and to discourage and penalize anti-competitive or discriminatory behavior and abuse of market power, the ERC promulgated the Competition Rules and Complaint Procedure. The Rules likewise prescribes the manner in which the ERC will investigate possible violations consistent with the requirements of due process.

The Rules provides, among others, for the following:

1. Prohibition against and sanctions for anti-competitive agreements, arrangements, and understandings;
2. Prohibition against and sanctions for misuse of market power;
3. Prohibition against certain acquisitions, mergers, and consolidations;
4. Application for Clearance to the ERC in case an entity proposes to: a) make an agreement or arrangement, or arrive at an understanding; b) acquire shares in capital stock of a corporation; c) acquire assets of a person; d) merge with another corporation; or e) consolidate with another corporation to form a new corporation;
5. Application for authorization to the ERC primarily in cases wherein an entity intends to make or give effect to a provision of an agreement or arrangement, or to arrive at an understanding where a provision would have or might have

the effect of substantially lessening competition in the market or is, or might be, a price fixing provision; and

6. Imposition of penalties to persons who violate, aid, abet, counsel, procure, profit, assist, force or induce, or conspired to violate the provisions of this Rules.

Resolution No. 49: A Resolution Amending the Business Separation Guidelines

(June 21, 2006)

To incorporate additional business segments and activities, and to make it consistent with the Code of Conduct for Retail Market Participants which prescribes the operational separation between a Distribution Utility's regulated and non-regulated business activities, the ERC amended the Business Separation Guidelines.

The amendments, among others, define and identify the Supply Services, Last Resort Supply, and Wholesale Aggregation Business Segments.

The Supply Services Business Segment comprises the sale of electricity by a generating company licensed as RES to end-users in the contestable market. It may also comprise the provision, installation, commissioning, testing, repair, maintenance and reading of meters that are used to measure the delivery of electricity to end-users who are included in the contestable market or to other customers who are not end-users (whether such services are provided to those end-users or other customers or to any other person).

The Last Resort Supply Business Segment comprises the provision of SoLR services provided by a DU, namely services pertaining to the sale of electricity to SoLR customers including billing, collection, and the provision of basic customer service.

The Wholesale Aggregation Services Business Segment comprises supply services provided by a Wholesale Aggregator, namely, services pertaining to the sale of electricity to DUs.

The Guidelines also defines, identifies and enumerates these Business Segments' respective assets, liabilities, revenues, and costs.

ENFORCEMENT OF RULES, REGULATIONS, & POLICIES RESOLUTION OF CASES

For the year 2006, the ERC issued RES licenses to the following:

1. GN Power Ltd. Co.;
2. Aboitiz Energy Solutions, Inc.; and
3. Trans-Asia Oil and Energy Development Corp.

These licensees successfully demonstrated their creditworthiness and possession of the requisite technical and managerial capability.

Consumer Affairs

The consumer arm of the ERC, the Consumer Affairs Service (CAS), tirelessly promotes consumer interests and handles consumer complaints as required by Section 41 of the EPIRA. From its efforts, the following resulted:

PROMULGATION OF RULES, REGULATIONS, & POLICIES

Resolution No. 42: Guidelines Prescribing Minimum Standards for Frontline Customer Services of Distribution Utilities and Other Electric Service Providers (August 4, 2006)

In order to guide the DUs and Electric Service Providers (ESPs) in the creation of their Consumer Welfare Desks (CWDs), to professionalize the service and to ensure that consumer complaints are handled promptly and efficiently, the ERC issued Resolution No. 42, Series of 2006.

The Guidelines provides the general policies, which include the following:

1. A CWD must be established to undertake frontline customer services;
2. Each CWD must be manned by an officer of the DU or the ESP;
3. A CWD Officer must be a permanent employee of the DU or ESP for at least two (2) years, with pleasing personality, good moral character, good communication skills, has attended at least one (1) seminar on customer service conducted by an ERC-accredited trainer and familiar with the operations of the DU or ESP and with ERC rules, regulations, decisions and policies;
4. A CWD shall discharge the following duties and responsibilities: a) receive and attend to complaints of consumers of the concerned DU or ESP; b) entertain queries/ complaints emanating from violations of DSOAR, the Magna Carta for Residential Electricity Consumers, Republic Act No. 7832 or the Anti-Pilferage of Electricity Act and its Implementing Rules and Regulations, and all decisions, orders, resolutions, laws, rules, and regulations of the ERC; c) post and disseminate major announcements and/or documents issued by the ERC and/ or the DU/ ESP within its jurisdiction; and d) serve as the repository of all rules, regulations, policies, orders, and decisions promulgated by the ERC relative to a DU or ESP.

The procedural standards are also enumerated. These are:

1. Each complaint shall be duly received by the DU or ESP;
2. All complaints must be acted upon promptly and efficiently by the DU or ESP;
3. Upon receipt of the complaint, the CWD Officer shall prepare an acknowledgment receipt using the ERC-prescribed form, within one (1) day from receipt;
4. Within fifteen (15) days from receipt of the complaint, the CWD Officer must inform the complainant of the actions taken using the ERC-prescribed form

- with an information that should the complainant fail to respond to the action taken by the DU or ESP, the same shall be considered closed and terminated;
5. The CWD Officer and other concerned officers of the DU or ESP may conduct clarificatory meetings with the complainant to thresh out all the issues; and
 6. After the conduct of clarificatory meeting, the parties may enter into an amicable settlement agreement freely and voluntarily. However, if no consensus is reached, either party may elevate the complaint to the ERC for conciliation.

The CWDs are required to record each and every complaint received and to report the same quarterly to the ERC.

ENFORCEMENT OF RULES, REGULATIONS, & POLICIES

Meter Testing and Calibration

In 2006, the ERC tested and calibrated 1,128,365 watt-hour meters and monitored 105,335 tampered meters in compliance with Republic Act No. 7832, otherwise known as the *Anti-Electricity and Electric Transmission Lines/ Materials Pilferage Act of 1994*.

Information Dissemination Activities

The ERC conducted 1,986 information dissemination activities through the conduct of public consultations, seminars and workshops, radio and television guestings, and granting of interviews with the print and broadcast media.

The bulk of the information dissemination activities in 2006 concerned the rules, policies, procedures, and registration in the Wholesale Electricity Spot Market (WESM), Magna Carta for Residential Electricity Consumers, and the Distribution Services Open Access Rule (DSOAR).

RESOLUTION OF DISPUTES

In 2006, the ERC received 893 complaints from the consumers. The ERC resolved 295 complaints at the pre-hearing stage. Eighty-six (86) complaints were subjected to evidentiary hearings.

A. Consumer Complaints Resolved at Pre-Hearing Stage

In the course of resolving consumer complaints filed before the Consumer Affairs Service (CAS), the ERC, at the pre-hearing stage, conducted 2,718 conferences, sent 3,322 letters and issued 3,348 Orders.

**SUMMARY OF COMPLAINTS FILED AND RESOLVED AT PRE-HEARING
STAGE
(As of December 31, 2006)**

	Filed	Resolved			Conferences	Letters	Orders
		Old	New	Total			
Old (Prior to 2006)	1,574	812	295	1,107			
January 2006	37	29	-	29	269	397	278
February 2006	132	19	-	19	253	393	325
March 2006	115	24	4	28	376	379	417
April 2006	73	17	5	22	186	403	188
May 2006	146	21	4	25	204	269	419
June 2006	55	9	10	19	240	514	263
July 2006	43	13	16	29	204	205	303
August 2006	43	12	8	20	241	33	238
September 2006	38	21	13	34	208	181	261
October 2006	44	8	20	28	189	182	265
November 2006	44	9	13	22	229	271	241
December 2006	33	4	16	20	119	95	150
Sub-Total for 2006	803	186	109	295			
Total	2377	998	404	1,402	2,718	3,322	3,348

B. Consumer Complaints Subjected to Evidentiary Hearings

Eighty-six (86) new consumer complaints were subjected to evidentiary hearings in 2006 after the compulsory arbitration process failed. This brings the total number of docketed consumer complaint cases to 359. In line with ERC's efforts to resolve these complaints, 1,412 hearings were conducted and 1,758 Orders were issued.

**SUMMARY OF COMPLAINTS FILED, HEARD, AND RESOLVED
(As of December 31, 2006)**

	Endorsed for Hearing	Resolved			Hearings	Orders
		Old	New	Total		
Old (Prior to 2005)	273	20		20		
January 2006	9	10	-	10	116	134
February 2006	9	6	-	6	122	46
March 2006	7	1	-	1	164	142
April 2006	5	3	-	3	68	83
May 2006	7	3	-	3	104	182
June 2006	6	1	-	1	105	167
July 2006	9	2	-	2	118	158
August 2006	8	-	-	-	162	172
September 2006	9	5	1	6	124	170
October 2006	8	4	-	4	148	265
November 2006	5	-	1	1	112	168
December 2006	4	-	-	-	69	71
Sub-Total for 2006	86	35	2	37		
Total	359	55	2	57	1,412	1,758



The Consumer Affairs Service handles consumer complaints and ensures the adequate promotion of consumer interests.

OTHER ACCOMPLISHMENTS

Organizational Development (OD) and Institutional Strengthening (IS) activities were undertaken in order to make ERC's operations more efficient and effective towards a more responsive service to its clientele.

Resolution No. 38: A Resolution Promulgating the Energy Regulatory Commission's Rules of Practice and Procedure (June 22, 2006)

After recognizing the need to update, revise, and expand the existing rules of practice and procedure being followed by the ERC so as to align the same to the new provisions and requirements in the EPIRA and its IRR and recent pronouncements thereon by the Supreme Court, the ERC promulgated the ERC Rules of Practice and Procedure. Its purpose is to aid anyone who wishes to appear before the ERC and participate in any proceeding before it. It has twenty-four (24) Rules, which are to be liberally construed to secure the most expeditious and least expensive determination of every proceeding before the ERC on its merits consistent with the requirements of justice.

The Rules provides the formal and pre-filing requirements that need to be satisfied by every applicant, petitioner, or complainant. It also specifies the kinds of pleadings that may be submitted, the amendments and supplements thereto, the parties, the manner of service and filing of pleadings and other papers, the computation of time, extensions, and periods, the motions, notice of hearing, the grant of provisional authority, the available discovery procedures, the conduct of pre-trial conferences and hearings.

The Rules, likewise, provides that the rules of evidence are not to be strictly applied. In addition, the procedures and requirements in particular Commission proceedings were clearly and concisely enumerated. It also provides that the process of adopting a new rule or amending or repealing an existing rule may be initiated by the Commission or by interested persons upon a petition for the issuance, amendment, or repeal of any rule.

Finally, the Rules also tackles the rendition, form, content, manner, and publication of final orders, resolutions, and decisions as well as the filing of motions for reconsideration, and opposition thereto.

The ERC Rules of Practice and Procedures went through a Public Consultation prior to its promulgation.



5 After 5

To celebrate the five-year milestone of the ERC and to better face the challenges of the immediately coming years, the ERC unveiled its regulatory agenda for the years 2006 to 2007. These are:

1. Support the development of the **GENERATION** Sector through timely regulatory intervention.
2. Ensure the **RING FENCING** (accounting and operational separation) of distribution utilities activities to ensure a level playing field.
3. Fulfill the mandate of EPIRA of being a strong regulator through effective **ENFORCEMENT** programs
4. Embark on a cost-effective **ADVOCACY** program addressed to its regulated entities and the electric consumers.
5. Employ effective **TECHNIQUES** in the workplace to improve the productivity and consistency of the quality of work.

GREAT is an acronym that embodies these five priorities of the ERC since “GREAT challenges require GREAT effort”.

(Please refer to the ‘Challenges Ahead’ Section (next) for a more detailed discussion of the “5 After 5” Regulatory Agenda)

Hoshin Kanri Planning

The Energy Regulatory Commission (ERC), in an innovative move, adopted the Hoshin Kanri Planning Methodology which is a vision-driven planning technique developed in Japan that focuses on areas where major strategic changes or breakthroughs are needed.

Three (3) major objectives were formulated:

1. Sustain a Strong Regulatory Body and Systems;
2. Ensure Consumer Protection; and
3. Create a Vibrant Electricity Market through the Promulgation and Implementation of Effective Policies Promoting Competition.



ERC officials undergoing training in Hoshin Kanri Planning.

The first objective focuses on the development of the staff, the improvement of the systems and processes, and the institutionalization of good governance in the electric power industry.

The second objective intends to address the adequacy of systems, processes, and procedures aimed at empowering the consumers, rationalize the regulatory framework and people participation in the policy-making process utilizing the avenue of public hearings, improve the quality of service and arrive at a reasonably-priced electricity, and improve the public's understanding of ERC's functions.

The third objective seeks to ensure that at least 90% of Distribution Utilities' requirements are covered by bilateral contracts, keep the monthly volatility index of the Wholesale Electricity Spot Market (WESM) within a reasonable limit, and increase the awareness for the first and second phase contestable customers in Luzon and the Visayas.

For the proper implementation of the above-mentioned objective, the ERC designated April 10-14, 2006 as the "Hoshin Immersion Week". Concurrently, the Services were required to put up their respective "Hoshin Corner".

Two (2) Hoshin Monitoring Boards were set up, one at the 18th Floor, Planning Division and the other at the 14th Floor, beside the elevator landings for greater visibility. The boards tracked the progress of each Service unit as regards its Hoshin commitments.

For 2006, the Market Operations Service (MOS) was awarded the "Best Hoshin Performer" for the first and second semesters and the one with the "Best Hoshin Corner" and the "Best Planning Coordinator", Ms. Marives Santos, Chief of the Contestable Market Division of the MOS.

Consultative and RCO Conferences

The ERC conducted consultative and RCO conferences in order to increase the Distribution Utilities' (DUs') understanding of the regulatory reforms being undertaken by the ERC to ensure the realization of the goals of the EPIRA.

The first consultative conference for the DUs in northern Luzon (dubbed as the NLuzConCon) was held in Baguio City from January 26 to 27, 2006. The counterpart consultative conference for the DUs in southern Luzon was held from February 2 to 3, 2006 in Tagaytay City.



*ERC Chairman
Rodolfo B. Albano, Jr.
welcomes participants to
the first Consultative
Conference for DUs.*

The ERC also conducted the First RCO National Conference on May 3 to 5, 2006 at the Astoria Plaza, Pasig City. The RCOs were briefed on the ERC's regulatory issuances to ensure the DUs' full compliance thereto. The three-day activity culminated in the confirmation by the ERC of the appointed RCOs of each DU.

Apart from and inspired by the success of the consultative conferences for DUs, an "Energy Consultative Conference (dubbed as the EnerConCon) was held from May 22 to 23, 2006 at the Astoria Plaza, Pasig City. This was attended by agencies belonging to the national government such as the National Electrification Administration (NEA), the National Power Corporation (NPC), and the Department of Energy (DOE). The ERC took note of the inputs and concerns of these agencies in relation to the programs and activities being implemented to attain the objectives of the EPIRA.



Chairman Albano addressing participants to the EnerConCon.

Continuing Regulatory Education for the Staff (CREST)

The ERC spearheaded a new program for its employees designed to continually update and upgrade the regulatory capability of the staff. In 2006, four (4) CREST activities were held concerning the following topics:

July 28, 2006 - Distribution Services Open Access Rules (DSOAR);
August 4, 2006 - Magna Carta for Residential Electricity Consumers;
September 1, 2006 - Wholesale Electricity Spot Market (WESM); and
September 22, 2006 - Uniform Filing Requirements (UFR).



CREST participants took time out to pose for a class picture.

Foreign Trips of the Members of the Commission and Key Staff Members

Eleven (11) foreign trainings or courses were attended or participated in by the ERC employees. These are the following:

	Course	Dates	Number of Participants	Place
1.	Orientation and Study Visit of the United Kingdom Electricity Trading and Retail Supply Markets	February 27 – March 3, 2006	3	United Kingdom
2.	Regulatory Economic Executive Programme	March to May 2006	1	Malaysia
3.	Asian Energy Week Conference and Exhibition	April 4 – 7, 2006	2	China
4.	Energy Media Asian Study Tour	April 4 – 8, 2006	1	Singapore
5.	Competition Law and Policy Roundtable	May 16 – 17, 2006	1	India
6.	Regulating Quality of Service: Planning, Compliance Monitoring, and Enforcement	July 10 – 21, 2006	2	United States
7.	Masters Programme on Educational Science and Technology Track HRD	August 21, 2006 to August 31, 2007	1	Netherlands
8.	International Seminar on Energy Policy	August 26 – September 4, 2006	1	South Korea
9.	Utility Ratemaking and Analysis: An Advanced Course in Regulation	July 15 – 24, 2006	2	Jamaica
10.	14th Meeting of the Energy Inter-Market Surveillance Group	September 4 – 6, 2006	1	Australia
11.	World Forum on Energy Regulation III	October 8 – 11, 2006	2	United States

Trainings, Workshops, Seminars, and Briefings

As part of the ERC's continuing commitment to provide and equip its staff with all the necessary knowledge and expertise, a number of trainings, workshops, seminars and briefings were conducted. These include, among others, the following:

1. Time of Use (TOU);
2. Incentive-based regulation;
3. Standard system for Site Equipment Identification and Labeling (SEIL);
4. Technical and monitoring capabilities enhancement;
5. Asset valuation and optimization process;
6. Project management;
7. Competency in power distribution system engineering and electric power distribution;
8. System engineering;
9. Quality customer service;
10. Opportunities in renewable energy distributed generation in the ASEAN;
11. Feasibility and master plan for coal-fired power plants;
12. WESM;
13. System loss segregation;
14. Retail competition readiness; and
15. Energy management and power monitoring.

Trainings on internal procedures were also provided such as:

1. Handling and conducting training programs;
2. Planning techniques;
3. Leadership;
4. Materials management and inventory control;
5. Records and archives counter disaster planning;
6. Basic internal audit principles and procedures;
7. Financial audit under the New Government Accounting System (NGAS) and the New Government Procurement System (NGPS);
8. How to preside over revenue item hearings;
9. Newsletter publishing;
10. Public relations;



Leadership Training.

11. 5S of Good Housekeeping;
12. Mandatory Continuing Legal Education (MCLE);
13. GSIS and PAG-IBIG updates;
14. Proper use of INFOCUS LP 600 Digital Light Projector and Aver Vision 300 document camera;
15. Risk management;
16. Project plan, HR and other outstanding issues, vision accomplishment;
17. Accounting for non-accountant managers; and
18. Computer skills enhancement.

Foreign Visitors of the ERC

Contingents from Australia and South Korea visited the ERC in 2006.

The regulatory officials from the Essential Services Commission (ESC) of Australia visited the ERC on March 13, 2006 and conducted a briefing on industry structures, regulatory frameworks, and practices in the Australian and American settings. These were attended by at least thirty-nine (39) ERC personnel.



Delegates from Ministry of Commerce, Industry and Energy (MOCIE) of the Republic of Korea also visited the ERC on June 8, 2006 for its First Annual Meeting with the ERC as a result of a Memorandum of Understanding (MOU) entered into by and between ERC Chairman Rodolfo B. Albano, Jr. and Minister of Commerce and Industry Lee Hee-Beom, Jr. in 2005.



Medical Assistance and Coverage

As part of the commitment of the Kapisanan ng mga Kawani ng Energy Regulatory Commission (KERC) to afford greater medical protection to its members, it negotiated with and inked a contract with Asianlife & General Assurance Corporation, Health Maintenance Organization (HMO) provider. Enrolment was voluntary and the employees themselves paid the premiums.



The medical coverage started on December 22, 2006 and will terminate on December 21, 2007. The common coverage includes room and board of up to Php800.00, in-patient and out-patient services, and dental services. Pre-existing, PTB and primary complex cases are covered while congenital cases are covered only up to Php20,000.00.

Annual physical examinations were also covered.

In addition, a Medical Fund in the amount of Php110,000.00 was set up from the donations of Commissioners Jesus N. Alcorido (retired) and Jose C. Reyes.

CHALLENGES AHEAD

The ERC, ever cognizant of the inherent dynamism of the electric power industry, anticipates, prepares, and plans for the following major challenges for 2007:

5 After 5

The ERC, as earlier discussed, announced its regulatory agenda from 2006 to 2007 comprising of five priority programs. These are enumerated as follows:

**“5 AFTER 5”
FIVE PRIORITIES AFTER FIVE YEARS
G.R.E.A.T.
*The Regulatory Agenda of ERC for 2006-2007***

1. Support the development of the **GENERATION** Sector through timely regulatory intervention.
 - a. Efficient Market Monitoring of WESM
 - b. Swift PSA application approvals for SPUG privatization, QTPs and DU-IPPs (time bound)
 - c. Support NPC privatization (approval of TSC contracts)
 - d. Ensure PSALM's efficient disbursement of subsidy to NPPs and QTPs.
2. Ensure the **RING FENCING** (accounting and operational separation) of distribution utilities activities to ensure a level playing field.
 - a. Seminars regarding business separation and approved ACAM
 - b. Consultation with regulated entities.
3. Fulfill the mandate of EPIRA of being a strong regulator through effective **ENFORCEMENT** programs
 - a. Review procedures regarding monitoring all standing directives
 - b. Launch on-site audits covering all aspects (technical, economic, consumer compliances)
 - c. Regular seminars and exams for RCOs
 - d. Compliance ratings for all regulated entities.
4. Embark on a cost-effective **ADVOCACY** program addressed to its regulated entities and the electric consumers.
 - a. Sharper website (content and format)
 - b. Institutionalize DU Consultative Conferences
 - c. Printed literature especially annotated issuances
 - d. Consumer hours built-in in all rate cases
 - e. Regional media workshops
5. Employ effective **TECHNIQUES** in the workplace to improve the productivity and consistency of the quality of work.
 - a. Management trainings
 - b. ISO 9000 Procedures
 - c. Outsourcing/ Networking
 - d. Restructuring (matrix organization)
 - e. Productivity measurements
 - f. 5S programs
 - g. Optimize use of Information Technology

There is a need to support the development of the **Generation** Sector especially since Year 2007 is an election year. There should be no reason for power outages during such a critical period in our nation's history. The ERC can assist the Generation Sector only through timely and efficient regulatory intervention. The master plan is to encourage as much private sector participation as possible by ensuring that the WESM is efficiently monitored and the appropriate subsidies are regularly disbursed.

The move to ensure the **Ring Fencing** or accounting and operational separation of DUs and the concomitant adherence to the prescribed Accounting Cost Adjustment Mechanism (ACAM) is prompted by the necessity of leveling the DUs' playing field. Thus, the ERC determined that there should be a continuous and on-going consultations and seminars on the matter.

The strengthening of the ERC's **Enforcement** program cannot be over-emphasized. The proper compliance monitoring and enforcement of the ERC's regulatory directives determine its effectiveness as a regulator. Hence, regular seminars and examinations for Regulatory Compliance Officers (RCOs), compliance ratings for all regulated entities, and the conduct of on-site audits are lined-up in 2007.

The **Advocacy** program, on the other hand, seeks to improve the communications and interaction of the ERC with the media, the regulated entities, and the electricity consumers. This is important in order to foster a meaningful and mutually beneficial partnership with the media in terms of information dissemination, encourage a more responsive and socially responsible energy sector, and build a more informed consumer base.

The reasons behind the employment of effective **Techniques** in the workplace are to increase the productivity and improve the quality of work of employees. These are essential in order for the ERC to carry out the first four (4) priorities. Consequently, management trainings, restructuring, 5S programs, and the optimal use of information technology are widely encouraged.



Chairman Rodolfo B. Albano, Jr., together with the members of the Commission, unveils the Regulatory Agenda of the ERC for 2006-2007.

Continuing Regulatory Education for Staff: Improving Current Capabilities, Acquiring New Skills, and Developing Competencies

Keeping in mind the requirement of Section 40 of the EPIRA to establish a rigorous training program for its staff for the purpose of enhancing the technical competence of the ERC, it was determined that more comprehensive and specialized trainings are needed by the staff in order that they may be able to confidently face the new challenges brought about by the WESM and the commencement of open access and retail competition. Since WESM, open access and retail competition are fairly new concepts in the Philippine context, local experts are scarce. Key personnel need to visit other jurisdictions to study and immerse themselves with the workings of the market. Yet, with the limited budget allocated to the ERC, its hands are tied with respect to mobilizing its personnel abroad, the sourcing of available trainers in the country, and the choice of courses to be made available to the ERC's technical personnel.



The ERC taps technical assistance offered by numerous donor agencies such as the World Bank (WB), the United States Agency for International Development (USAID), the Asian Development Bank (ADB), and the like to augment the limited training budget allocated to the ERC. All foreign travels are financed by these agencies, among others.

Financial Highlights



2006 ERC INCOME

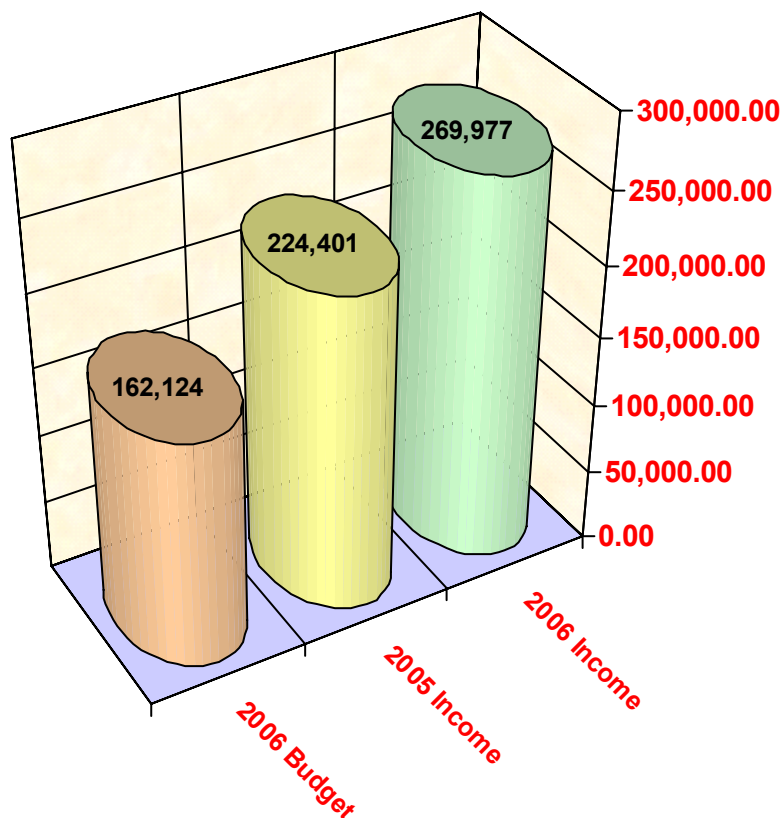
The Energy Regulatory Commission (ERC) earned an income amounting to P269.98 Million for the year 2006. The 2006 income went up by P45.48 Million, or 20%, compared to the 2005 income amounting to P224.40 Million.

The ERC's Service income which include the Supervision & Regulation Fees and Meter Testing Fees, contributed largely to the 2006 income, accounting for 65% of the total revenue. The income from permits and licenses, however, account for 31% of the actual total revenue while the income on fines and penalties account for 4%.

For the year 2006, the ERC's actual allotment approved by the Department of Budget and Management (DBM) amounted to P162.12 Million. The ERC's income of P269.98 Million is 40% or P107.86 Million more than the budget given to it. This is an indication that the ERC can more than maintain its present operations, and is therefore, self-sustaining.

Furthermore, actual income earned by ERC exceeded the targeted income of P252.20 Million for the year 2006 by 7%.

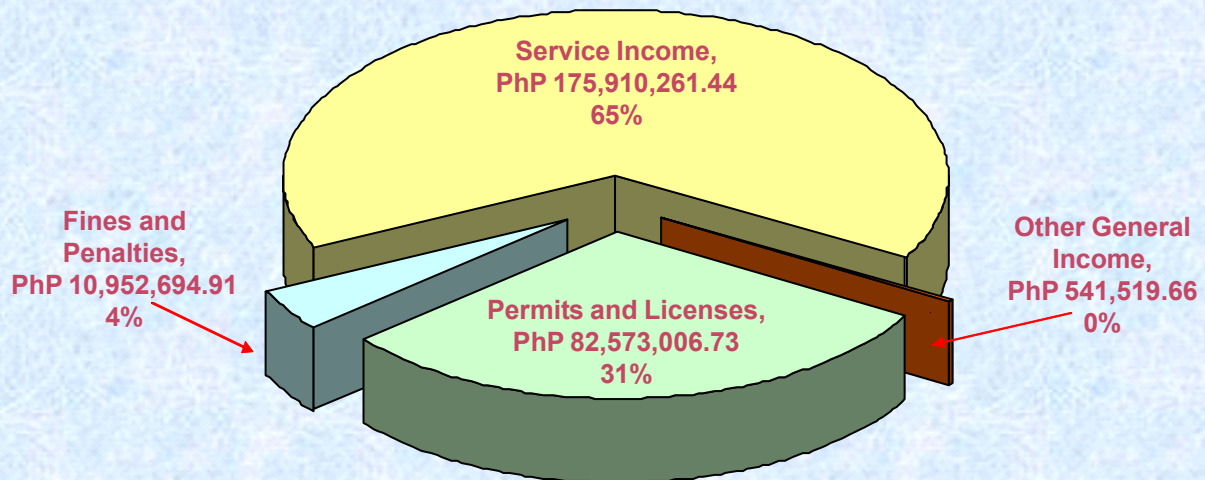
BUDGET VS. INCOME (In '000 Pesos)



REPORT ON REVENUE **For January to December 2006**

NATURE OF INCOME	ACCOUNT CODE	REVENUE
Permits and Licenses	608	82,573,006.73
Fines and Penalties	609	10,952,694.91
Service Income	628	175,910,261.44
Other General Income	678	541,519.66
TOTAL		269,977,482.74

BREAKDOWN OF 2006 ERC INCOME



ENERGY REGULATORY COMMISSION

Condensed Balance Sheet

As of December 31, 2006

NG - General Fund

ASSETS

Current Assets			77,628,142.38
Cash			
Cash on Hand			
Receivables			
Receivable Accounts	8,877,033.76		
Less Allowance for Doubtful Accounts	(130,510.35)	8,746,523.41	
Inter-Agency Receivables		823,838.50	9,570,361.91

TOTAL ASSETS	87,198,504.29
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LIABILITIES

Current Liabilities	
Inter-Agency Payables	86,462,111.14
Deferred Credits	866,903.50

TOTAL LIABILITIES	87,329,014.64
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EQUITY

Government Equity	(130,510.35)
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TOTAL EQUITY	(130,510.35)
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TOTAL LIABILITIES AND EQUITY	87,198,504.29
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ENERGY REGULATORY COMMISSION
DETAILED BALANCE SHEET (RAB)
As of December 31, 2006

ASSETS

CURRENT ASSETS

Cash	445,480.02
Receivables	2,012,542.03
Supplies Inventory	2,842,027.89
Prepaid Expenses	211,077.55
Others	37,620.00

INVESTMENTS AND PROPERTY, PLANT & EQUIPMENT

Office Equipment	298,870.17
Furniture and Fixtures	1,552,056.05
IT Equipment and Software	3,615,043.40
Library Books	86,473.18
Machineries and Equipment	14,283,554.10
Motor Vehicles	2,567,381.52
Other Property, Plant & Equipment	791,159.77
Other Assets	<u>318,780.92</u>

TOTAL ASSETS

29,062,066.60

LIABILITIES & EQUITY

LIABILITIES

Current Liabilities

Accounts Payable	84,563.34
Due to Officers and Employees	86,658.13
Due to BIR	134,277.91
Due to GISIS	847.00
Due to LGUS	1,624,348.68
Other Payables	438,042.57

EQUITY

Government Equity	<u>26,693,328.97</u>
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TOTAL LIABILITIES & EQUITY

29,062,066.60

DETAILED STATEMENT OF INCOME AND EXPENSES (RAB)

For the Period Ended December 31, 2006

Income

Subsidy Income from National Government (Net of reverted unused NCA)	184,842,801.29	
Gain/Loss on Sale of Disposed Assets	(171,394.30)	
Gross Income		184,671,406.99

Less: Expenses

Salaries and Wages-Regular Pay	P	90,196,679.19	
Personnel Economic Relief Allowance		1,304,134.34	
Additional Compensation (ADCOM)		1,303,865.91	
Representation Allowance		1,363,090.91	
Transportation Allowance		1,201,090.91	
Clothing/Uniform Allowance		884,000.00	
Productivity Incentive Benefits		400,500.00	
Cash Gift		1,103,000.00	
Year End Bonus		6,650,228.00	
Life and Retirement Insurance Contribution		8,928,160.76	
PAG-IBIG Contributions		263,244.14	
PHILHEALTH Contributions		164,500.00	
E C C Contributions		78,990.00	
Pension Benefits Civilian		6,197,964.00	
Retirement Benefits Civilian		11,506,680.00	
Terminal Leave Benefits		1,343,243.13	
Other Personal Benefits		1,408,400.00	
Travelling Expenses-Local		4,441,947.14	
Travelling Expenses-Foreign		29,790.00	
Training and Scholarship Expenses		654,249.47	
Office Supplies Expenses		3,423,540.30	
Accountable Forms Expenses		139,085.42	
Gasoline, Oil and Lubricants Expenses		767,785.74	
Water		384,003.15	
Electricity		4,035,372.44	
Postage and Deliveries		855,450.36	
Telephone Expenses-Landline		1,588,982.17	
Telephone Expenses-Mobile		243,809.58	
Internet Expenses		622,840.63	
Cable, Satellite, Telegraph, and Radio Expenses		5,318.00	
Advertising Expenses		2,315,804.08	
Printing & Binding Expenses		2,966.50	
Rent Expenses		11,921,295.27	
Transportation and Delivery Expenses		11,251.96	
Subscription Expenses		198,806.41	
Auditing Services		105,743.59	
Janitorial Services		1,044,144.73	
Security Services Expenses		3,445,787.68	
Other Professional Services		124,250.79	
Repairs and Maintenance - Office Equipment		6,917.00	
Repairs and Maintenance - Furniture and Fixtures		8,000.00	
Repairs and Maintenance - IT Equipment and Software		79,850.00	
Repairs and Maintenance - Technical and Scientific Equipment		133,382.50	
Repairs and Maintenance - Motor Vehicles		547,645.73	
Repairs and Maintenance - Other Property, Plant, & Equipment		267,609.12	
Confidential, Intelligence, Extraordinary and Miscellaneous Expenses		1,230,075.73	
Taxes, Insurance Premiums and Other Fees		405,315.45	
		1,223,599.64	
Depreciation - Office Equipment		952,441.38	
Depreciation - Machineries and Equipment		498,593.52	
Depreciation - Transportation Equipment		127,577.52	
Depreciation - Other Property, Plant and Equipment		400,064.40	
Other Maintenance and Other Operating Expenses			176,541,068.69

Net Income (Loss)**8,130,338.30**

DIRECTORY OF ERC OFFICIALS



Rauf A. Tan
Commissioner



Rodolfo B. Albano, Jr.
Chairman



Alejandro Z. Barin
Commissioner



Maria Teresa A. R. Castañeda
Commissioner



Francis Saturnino C. Juan
Executive Director III



Jose C. Reyes
Commissioner



Floresinda G. Baldo
Director, General Counsel and
Secretariat to the Commission



Ellen C. Aguila
Director, Regulatory
Operations Service



Debora Anastacia T. Layugan
Director, Market Operations
Service



Isabelo Joseph P. Tomas II
Director, Finance and
Administrative Service



Noel J Salvanera
OIC, Legal Service



Francisco Jose S. Villa, Jr.
Director, Planning and
Information Service



Ma. Corazon C. Gines
Director, Consumer
Affairs Service



Gregorio L. Ofalsa
Attorney V



Crispin C. Carlos
Attorney V



Noel J. Salvanera
Attorney V



Luzviminda N. Cabalbag
Chief, Finance Division



Crisoldo B. Fortuna
Chief, Administrative
Division



Nimrod M. Pañares
Chief, Management
Information System Division



Josefina N. Buensuceso
Chief, Public Information
Division



Sharon O. Montañer
Chief,
Planning Division



Agnes F. Dela Cruz
OIC, Tariffs and Rates
Division



Edwin O. Ocenar
Chief, Standards and
Compliance Monitoring Division



Nelson G. Canlas
Chief, Investigation and
Enforcement Division



Marina C. Bugayong
Chief, Licensing and
Market Monitoring Division



Cecil V. Dela Silva
Chief, Spot Market Division



Alfredo A. Mendoza
OIC, Contestable Market
Division



Alfredo P. Vergara
Chief, Consumer Service Division



Legario L. Galang, Jr.
Chief, Meter Division



Teresita A. Cabriule
Head, Internal Audit Unit



Joel Y. Bontuyan
OIC, Visayas Office



Cirilo N. Casauay
OIC, Mindanao Office



Margarito A. Silot
COA Representative

Annexes



ANNEX "1"

THE 193 CASES DECIDED IN THE YEAR 2006

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
1	2006-503 CC	Marwin D. Tesalona vs. Manila Electric Company (MERALCO)	Marwin D. Tesalona	Decision dated November 30, 2006. The case was declared closed and terminated.
2	2006-489 CC	Blesida de la Cruz vs. Manila Electric Company (MERALCO)	Blesida de la Cruz	Decision dated November 29, 2006. The case was declared closed and terminated.
3	2006-444 CC	Glicería Dorado vs. Manila Electric Company (MERALCO)	Glicería Dorado	Decision dated November 29, 2006. The case was declared closed and terminated.
4	2006-443 CC	Catalina Bartolome	Catalina Bartolome	Decision dated December 5, 2006. The case was declared closed and terminated.
5	2006-438 CC	Edgardo Tongohan vs. First Laguna Electric Corporation (FLECO)	Edgardo Tongohan Vs. Fleco	Decision dated November 29, 2006. The case was declared closed and terminated.
6	2006-437 CC	Restituto G. Dalisay vs. First Laguna Electric Corporation (FLECO)	Restituto G. Dalisay Vs. Fleco	Decision dated November 29, 2006. The case was declared closed and terminated.
7	2006-428 CC	Marina D. Gillera vs. Manila Electric Company (MERALCO)	Marina D. Gillera	Decision dated September 19, 2006. The case was declared closed and terminated.
8	2006-427 CC	Daria Himongala vs. Manila Electric Company (MERALCO)	Daria Himongala	Decision dated October 4, 2006. The case was declared closed and terminated.
9	2006-417 CC	Susie Beltran vs. Manila Electric Company (MERALCO) Divina D. Yermo vs. Manila Electric Company (MERALCO)	Susie Beltran	Decision dated October 12, 2006. The case was declared closed and terminated.
10	2006-414 CC	Divina D. Yermo vs. Manila Electric Company (MERALCO)	Divina D. Yermo	Decision dated November 13, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
11	2006-413 CC	Celso L. Integro vs. Manila Electric Company (MERALCO)	Celso L. Integro	Decision dated November 23, 2006. The case was declared closed and terminated.
12	2006-409 CC	Carmelita L. Co vs. Manila Electric Company (MERALCO)	Carmelita L. Co	Decision dated September 13, 2006. The case was declared closed and terminated.
13	2006-406 CC	Marilou M. Tungol vs. Manila Electric Company (MERALCO)	Marilou M. Tungol	Decision dated September 27, 2006. The case was declared closed and terminated.
14	2006-405 CC	Ma. Agnes Obaniil vs. Manila Electric Company (MERALCO)	Ma. Agnes Obaniil	Decision dated November 30, 2006. The case was declared closed and terminated.
15	2006-395 CC	Almen E. Suarez vs. Manila Electric Company (MERALCO)	Almen E. Suarez	Decision dated November 30, 2006. The case was declared closed and terminated.
16	2006-393 CC	Narciso A. Luciano vs. Manila Electric Company (MERALCO)	Narciso A. Luciano	Decision dated June 26, 2006. The case was declared closed and terminated.
17	2006-387 CC	Allan A. Gardon vs. Manila Electric Company (MERALCO)	Allan A. Gardon	Decision dated September 4, 2006. The case was declared closed and terminated.
18	2006-386 CC	Ernesto Macabunga vs. Manila Electric Company (MERALCO)	Ernesto Macabunga	Decision dated July 13, 2006. The case was declared closed and terminated.
19	2006-385 CC	Michael M. Dagcuta vs. Manila Electric Company (MERALCO)	Michael M. Dagcuta	Decision dated July 31, 2006. The case was declared closed and terminated.
20	2006-382 CC	Corazon Mediran vs. Manila Electric Company (MERALCO)	Corazon Mediran	Decision dated September 13, 2006. The case was declared closed and terminated.
21	2006-377 CC	Marilou Dy Azores vs. Manila Electric Company (MERALCO)	Marilou Dy Azores	Decision dated August 24, 2006. The case was declared closed and terminated.



	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
22	2006-372 CC	Ma. Corazon Cruz vs. Manila Electric Company (MERALCO)	Ma. Corazon Cruz	Decision dated October 4, 2006. The case was declared closed and terminated.
23	2006-368 CC	Domingo M. Peralla vs. Manila Electric Company (MERALCO)	Domingo M. Peralla	Decision dated September 27, 2006. The case was declared closed and terminated.
24	2006-365 CC	Rosmindo Malpal vs. Manila Electric Company (MERALCO)	Rosmindo Malpal	Decision dated October 4, 2006. The case was declared closed and terminated.
25	2006-361 CC	Rosalita V. Matudan vs. Manila Electric Company (MERALCO)	Rosalita V. Matudan	Decision dated July 6, 2006. The case was declared closed and terminated.
26	2006-360 CC	Arsenio B. Lim vs. Manila Electric Company (MERALCO)	Arsenio B. Lim	Decision dated August 25, 2006. The case was declared closed and terminated.
27	2006-346 CC	Maribeth Maricaban vs. Manila Electric Company (MERALCO)	Maribeth Maricaban	Decision dated August 31, 2006. The case was declared closed and terminated.
28	2006-343 CC	Fabtech Industrial Inc. /Jacqueline So vs. Manila Electric Company (MERALCO)	Fabtech Industrial Inc. / Jacqueline So	Decision dated November 20, 2006. The case was declared closed and terminated.
29	2006-342 CC	Nonato Magsino vs. Manila Electric Company (MERALCO)	Nonato Magsino	Decision dated June 30, 2006. The case was declared closed and terminated.
30	2006-336 CC	Domingo M. Gumaro vs. Manila Electric Company (MERALCO)	Domingo M. Gumaro	Decision dated July 10, 2006. The case was declared closed and terminated.
31	2006-335 CC	Jesus P. Yabut vs. Manila Electric Company (MERALCO)	Jesus P. Yabut	Decision dated July 21, 2006. The case was declared closed and terminated.
32	2006-332 CC	Philip F. Almero vs. Manila Electric Company (MERALCO)	Philip F. Almero	Decision dated August 10, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
33	2006-331 CC	Enrique Tan vs. Manila Electric Company (MERALCO)	Enrique Tan	Decision dated June 21, 2006. The case was declared closed and terminated.
34	2006-329 CC	Rolando S. Cruz vs. Manila Electric Company (MERALCO)	Rolando S. Cruz	Decision dated May 30, 2006. The case was declared closed and terminated.
35	2006-327 CC	Benjie L. Duremdes vs. Manila Electric Company (MERALCO)	Benjie L. Duremdes	Decision dated November 27, 2006. The case was declared closed and terminated.
36	2006-325 CC	Angelina N. Soriano vs. Manila Electric Company (MERALCO)	Angelina N. Soriano	Decision dated October 9, 2006. The case was declared closed and terminated.
37	2006-313 CC	Guadencio Pamaos vs. Manila Electric Company (MERALCO)	Guadencio Pamaos	Decision dated August 15, 2006. The case was declared closed and terminated.
38	2006-312 CC	Cecilia Montefalcon vs. Manila Electric Company (MERALCO)	Cecilia Montefalcon	Decision dated December 4, 2006. The case was declared closed and terminated.
39	2006-309 CC	Wilfredo Fuentes vs. Manila Electric Company (MERALCO)	Wilfredo Fuentes	Decision dated August 7, 2006. The case was declared closed and terminated.
40	2006-306 CC	Ericson Pimentel vs. Manila Electric Company (MERALCO)	Ericson Pimentel	Decision dated July 20, 2006. The case was declared closed and terminated.
41	2006-279 CC	Arlyn Sarmiento vs. Manila Electric Company (MERALCO)	Arlyn Sarmiento	Decision dated May 24, 2006. The case was declared closed and terminated.
42	2006-235 CC	Beverly O. Cometa vs. Manila Electric Company (MERALCO)	Beverly O. Cometa	Decision dated May 30, 2006. The case was declared closed and terminated.
43	2006-234CC	Benjamin O. Osias vs. Manila Electric Company (MERALCO)	Benjamin O. Osias	Decision dated May 29, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
44	2006-233 CC	Teoderico Crelencia vs. Manila Electric Company (MERALCO)	Teoderico Crelencia	Decision dated September 13, 2006. The case was declared closed and terminated.
45	2006-232 CC	Marilou C. Garcia vs. Manila Electric Company (MERALCO)	Marilou C. Garcia	Decision dated September 19, 2006. The case was declared closed and terminated.
46	2006-231CC	Aida L. Tecson vs. Manila Electric Company (MERALCO)	Aida L. Tecson	Decision dated August 15, 2006. The case was declared closed and terminated.
47	2006-230 CC	Teresita Canlas versus Manila Electric Company	Teresita Canlas	Decision dated September 25, 2006. MERALCO was ordered to process the complainant's applications for new service.
48	2006-227 CC	Jel Jiongco vs. Manila Electric Company (MERALCO)	Jel Jiongco	Decision dated June 6, 2006. The case was declared closed and terminated.
49	2006-226 CC	Luningning M. Marquez vs. Manila Electric Company (MERALCO)	Luningning M. Marquez	Decision dated May 2, 2006. The case was declared closed and terminated.
50	2006-216 CC	Eduardo C. Mejia vs. Manila Electric Company (MERALCO)	Eduardo C. Mejia	Decision dated June 7, 2006. The case was declared closed and terminated.
51	2006-156 CC	Barnard Belleza vs. Manila Electric Company (MERALCO)	Barnard Belleza	Decision dated June 21, 2006. The case was declared closed and terminated.
52	2006-122 MC	In Re: Approval of the Proposed New Bill Format of Manila Electric Company	Manila Electric Company (MERALCO)	Decision dated December 11, 2006. The proposed format was approved. MERALCO is directed to adopt the same effective its January 2007 billing and post the same in its website.
53	2006-091 MC	In the Matter of the Dispute Between Hydro Electric Development Corporation (HEDC) and Northern Mini Hydro Corporation (NMHC) and National Power Corporation (NPC)	National Power Corporation (NPC) and Hydro Electric Development Corporation (HEDC) and	Decision dated May 31, 2006. The Effective Rate that shall be used as basis for the computation of the payment of the charges for

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
			Northern Mini Hydro Corporation (NMHC)	the electricity purchased by the NPC from HEDC and NHMC shall be the prevailing unbundled rates including all the components included in the pre-unbundled rates (i.e. forex, power delivery charges, ancillary charges, etc.). The NPC shall pay the difference of the amount paid retroactive to October 2004 without prejudice to recovery from the GRAM. The parties were directed to negotiate, execute a renegotiated agreement, and submit the same to ERC for approval.
54	2006-074 CC	Allan Poe J. Dela Paz vs. Manila Electric Company (MERALCO)	Allan Poe J. Dela Paz	Decision dated September 21, 2006. The case was declared closed and terminated.
55	2006-072 CC	Editha Albano Chua vs. Manila Electric Company (MERALCO)	Editha Albano Chua	Decision dated April 11, 2006. The case was declared closed and terminated.
56	2006-068 CC	Geronima Lupanggo vs. Manila Electric Company (MERALCO)	Geronima Lupanggo	Decision dated May 31, 2006. The case was declared closed and terminated.
57	2006-056 CC	Charlo Uriarte vs. Manila Electric Company (MERALCO)	Charlo Uriarte	Decision dated October 6, 2006. The case was declared closed and terminated.
58	2006-051 RC	In the Matter of the Joint Application for Approval of the Memorandum of Agreement (MOA) and Transmission Service Agreement (TSA) Between Clark Electric Distribution Corporation (CEDC) and National Transmission Corporation	Clark Electric Distribution Corporation (CEDC) and National Transmission Corporation (TRANSCO)	Decision dated November 15, 2006. The applications were approved subject to the limitation that any loss incurred by TRANSCO in granting discounts must not be recovered from other customers and not be recognized as under-recovery of its Maximum Allowable Revenue (MAR).
59	2006-047 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
60	2006-046 RC	In the Matter of the Petition for the Approval/Review of the Supplement to the Power Purchase Agreement with Cebu Private Power Corporation, with Prayer for Provisional Authority	Visayan Electric Company, Inc. (VECO)	Decision dated December 28, 2006. The petition was approved subject to base rates on fixed and variable capacity, energy, and other charges.
61	2006-047 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
62	2006-046 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
63	2006-045 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
64	2006-044 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
65	2006-043 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
66	2006-042 CC	Felicidad Aguilar vs. Manila Electric Company (MERALCO)	Felicidad Aguilar	Decision dated July 4, 2006. The case was declared closed and terminated.
67	2006-041 CC	Jeffrey Reyes vs. Manila Electric Company (MERALCO)	Jeffrey Reyes	Decision dated July 4, 2006. The case was declared closed and terminated.
68	2006-040 RC	In the Matter of the Application for the Approval of the Power Supply Agreement with Sta. Clara International Corporation (SCIC)	Bohol I Electric Cooperative, Inc. (BOHECO I)	Decision dated November 3, 2006. The application was approved as the agreed upon rate was 4% less than the prevailing basic charges of NPC exclusive of National Wealth and Franchise Tax.
69	2006-040 CC	Roberto Monteverde Represented by Romeo Sj Cabral vs. Manila Electric Company (MERALCO)	Roberto Monteverde Represented by Romeo Sj Cabral	Decision dated July 6, 2006. The case was declared closed and terminated.
70	2006-038 CC	Alicia A. Rosit vs. Manila Electric Company (MERALCO)	Alicia A. Rosit	Decision dated October 23, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
71	2006-035 CC	Genet Cortez vs. Manila Electric Company (MERALCO)	Genet Cortez	Decision dated March 21, 2006. The case was declared closed and terminated.
72	2006-032 CC	Christine Cosing vs. Manila Electric Company (MERALCO)	Christine Cosing	Decision dated July 18, 2006. The case was declared closed and terminated.
73	2006-029 CC	Leticia V. Medina vs. Manila Electric Company (MERALCO)	Leticia V. Medina	Decision dated June 2, 2006. The case was declared closed and terminated.
74	2006-025 CC	Jennifer L. Villanueva vs. Manila Electric Company (MERALCO)	Jennifer L. Villanueva	Decision dated august 29, 2006. The case was declared closed and terminated.
75	2006-024 RC	In the Matter of the Petition for Approval/ Review of the Amended Electricity Supply Agreement (ESA) with Trans-Asia Oil and Energy Development Corporation with Prayer for Provisional Authority	Guimaras Electric Cooperative, Inc. (GUIMELCO) and Trans-Asia Oil Energy Development Corporation (TA-Oil)	Decision dated October 19, 2006. The application was approved. The Net Contracted Capacity was modified from 1.8 MW baseload to 65% of the maximum demand of GUIMELCO from all sources of electricity.
76	2006-024 CC	Ramon E. Viola vs. Manila Electric Company (MERALCO)	Ramon E. Viola	Decision dated May 17, 2006. The case was declared closed and terminated.
77	2006-023 CC	Ma. Lourdes Paraiso vs. Manila Electric Company (MERALCO)	Ma. Lourdes Paraiso	Decision dated March 22, 2006. The case was declared closed and terminated.
78	2006-022 CC	Edna Gutierrez vs. Manila Electric Company (MERALCO)	Edna Gutierrez	Decision dated April 11, 2006. The case was declared closed and terminated.
79	2006-021 CC	Efren Abantao vs. Manila Electric Company (MERALCO)	Efren Abantao	Decision dated July 6, 2006. The case was declared closed and terminated.
80	2006-020 CC	Catalina Leones vs. Manila Electric Company (MERALCO)	Catalina Leones	Decision dated April 25, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
81	2006-018 RC	In the Matter of the Application for the Approval of the Transition Supply Contracts (TSC) Entered into with Distribution Utilities Located in Mindanao Areas.	National Power Corporation (NPC)	Decision dated October 19, 2006. The 32 TSCs were approved.
82	2006-017 RC	In the Matter of the Application for the Approval of the Transition Supply Contracts (TSC) Entered into with Distribution Utilities Located in Visayas Areas.	National Power Corporation (NPC)	Decision dated October 19, 2006. The 31 TSCs were approved.
83	2006-017 CC	Fe R. Mangilit vs. Manila Electric Company (MERALCO)	Fe R. Mangilit	Decision dated March 1, 2006. The case was declared closed and terminated.
84	2006-016 CC	Rogelio O. Arago vs. Manila Electric Company (MERALCO)	Rogelio O. Arago	Decision dated June 29, 2006. The case was declared closed and terminated.
85	2006-015 RC	In the Matter of the Application for the Approval of the Amendments/Revisions on the Rules, Terms and Conditions for Open Access Transmission Service (OATS Rule)	National Transmission Corporation (TRANSCO)	Decision dated December 13, 2006. The OATS Rules is approved with modification
86	2006-013 RC	In the Matter of the Adoption of the Generation Rate Adjustment Mechanism (6th GRAM)	National Power Corporation (NPC)	Partial Decision dated July 14, 2006. DAA charges in the amount of PhP0.4170/ kWh for Luzon and PhP0.5048/kWh for Mindanao recoverable in 9 and 16 months respectively, were approved. Partial Decision dated July 17, 2006. DAA charges in the amount of PhP0.3203/ kWh for Visayas recoverable in 5 months was approved.
87	2006-009 CC	Leonila Natividad Represented by Arsenio Cajurao vs. Manila Electric Company (MERALCO)	Leonila Natividad Represented by Arsenio Cajurao	Decision dated July 12, 2006. The case was declared closed and terminated.
88	2006-008 CC	Nestor P. Ifurung vs. Manila Electric Company (MERALCO)	Nestor P. Ifurung	Decision dated July 6, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
89	2006-007 RC	In the Matter of the Application for the Approval of the Price Determination Methodology for the Philippine Wholesale Electricity Spot Market	Department of Energy (DOE) through the Philippine Electricity Market Corporation (PEMC)	Decision dated June 20, 2006. The Price Determination Methodology was approved subject to, among others, the redistribution of net settlement surplus to market participants, submission of the Market Network Model and semi-annual impact study, and the development of policies and procedures for monitoring the market.
90	2006-005 CC	Manuel S. Cosca vs. Manila Electric Company (MERALCO)	Manuel S. Cosca	Decision dated October 23, 2006. The case was declared closed and terminated.
91	2006-004 CC	Lilian J. Estanislao vs. Manila Electric Company (MERALCO)	Lilian J. Estanislao	Decision dated February 8, 2006. The case was declared closed and terminated.
92	2006-003 RC	In the Matter of the Petition for the Recovery of Additional Cost Incurred Pursuant to the Emergency Measures Undertaken to Avoid Shut Down of Operations with Prayer for Provisional Authority	Visayan Electric Company, Inc. (VECO)	Decision dated August 10, 2006. The petition was approved subject to the recovery of the difference between the Cash Costs and the amount already collected from the consumers pegged at PhP15 Million or the actual Operation & Maintenance expenses, whichever is lower. VECO and CPPC were directed to arrive at a permanent agreement to resolve the impasse in the negotiations for the upward adjustment of electricity price before the expiration of the extension of the Cash Cost arrangement.
93	2006-003 CC	Bernadette Orbigo vs. Manila Electric Company (MERALCO)	Bernadette Orbigo	Decision dated September 20, 2006. The case was declared closed and terminated.
94	2006-002 CC	Lazaro Punongbayan vs. Manila Electric Company (MERALCO)	Lazaro Punongbayan	Decision dated March 20, 2006. The case was declared closed and terminated.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
95	2005-296 MC	In the Matter of the Application for the Conversion of Dollar Loan to Peso Loan (US\$4,472,222.20)	Cagayan Electric Light and Power Company, Inc. (CEPALCO)	Decision dated March 8, 2006. The application was approved.
96	2005-280 MC	In the Matter of the Application for Authority to Implement Major Capital Projects for Year 2006, with Prayer for Provisional Authority	Angeles Electric Corporation (AEC)	Decision dated April 26, 2006. The application for the rehabilitation and reconductoring of and installation of a second circuit on the Petersville-TransCo Mexico 69 kV Sub-transmission line project was approved. A permit fee in the amount of PhP676,789.79 was imposed.
97	2005-270 MC	In the Matter of the Application for Major Capital Projects for 2000 - 2005 , Namely: 1) Natumulan - Pueblo De Oro 69 KV line, 2) TRANSCO Aplaya - PKI 138 KV Line, 3) Pueblo De Oro Substation, 4) Macasandig Substation, 5) SCADA Project, 6) Reconductoring of 69KV Line from Cugman to Camaman-an, 7) 3-Phase Upgrading of Puerto-Alae Line, and 8) 138 KV Line for ECAC in the PHIVIDECA Area	Cagayan Electric Power and Light Company, Inc. (CEPALCO)	Decision dated August 16, 2006. The application was approved. A permit fee in the amount of PhP2,020,270.21 was imposed.
98	2005 – 239 MC	In the Matter of the Application to Obtain an Eight Hundred Twelve Million Eight Hundred Five Thousand Peso (PhP 812,805,000.00) Loan and to Enter into a Mortgage Agreement to Secure the Loan	Cagayan Electric Power & Light Company, Inc. (CEPALCO)	Decision dated March 15, 2006. The application to obtain loan in order to expand, upgrade, and enhance CEPALCO's electric system and facilities for the period 2005 to 2009 was approved.
99	2005 – 231 MC	In the Matter of the Application for Authority to (a) Acquire, Install, Construct and Maintain One (1) 10MVA Substation (b) Construct and Maintain an 18-KM Sub transmission Line and (c) Relocate One (1) 5MVA Substation and Substation Site Development, with Prayer for Provisional Authority	Qurino Electric Cooperative, Inc. (QUIRELCO)	Decision dated May 10, 2006. The application was approved. A permit fee in the amount of PhP418,034 was imposed.
100	2005-213 MC	In the Matter of the Application for Approval of Electric Capital Projects within the Franchise Area with Prayer for Provisional Authority	Bohol Light Company, Inc. (BOHECO)	Decision dated June 1, 2006. Capital projects for the years 2001 to 2005 were approved. A permit fee in the amount of PhP576,235.76 was ordered paid.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
101	2005-056 RC	In the Matter of the Application for the Approval of the Administered Price Determination Methodology for the Philippine Wholesale Electricity Spot Market (WESM)	Philippine Electricity Market Corporation (PEMC)	Decision dated June 22, 2006. The proposed Administered Price Determination Methodology was disapproved. PEMC was authorized to impose an administered price based on the load weighted average ex-post energy price during market suspension and intervention.
102	2005-048 RC	In the Matter of the Application for the Approval of the Structure and Level of Market Fees for the Philippine Wholesale Electricity Spot Market (WESM)	Philippine Electricity Market Corporation (PEMC)	Decision dated June 22, 2006. Market Registration Fees at a fixed rate of PhP50,000 plus registration expenses and Market Transaction Fees in the total amount of PhP433,624,276 to cover PEMC's budgetary requirements for CY 2006 were approved.
103	2005-043RC	In the Matter of the Application for Approval of the Amendment Agreement of the Power Purchase Agreement Between Panay Electric Company, Inc. and Panay Power Corporation, with Prayer for Provisional Authority	Panay Electric Company, Inc. (PECO)	Decision dated March 10, 2006. The amendment was approved subject to certain conditions.
104	2005-041 RC	In the Matter of Undertaking a Revenue Reset for the National Transmission Corporation (TRANSCO) and Any Future Concessionaire Thereof for the Period of 2006 to 2010 In Accordance with the Alternative Form of Rates Setting Methodology Under the Transmission Wheeling Rates Guidelines (TWRG)	National Transmission Corporation (TRANSCO) and Power Sector Assets and Liabilities Management Corporation (PSALM)	Decision dated June 13, 2006. The ERC resolved, among others, to apply this decision to the single entity that provides Regulated Transmission Services under the TWRG irrespective of the Concession Agreement eventually agreed upon, to divide the reasonable costs TRANSCO is allowed to recover into three (3) components, to order TRANSCO to treat the Transmission Connection Service and the Residual Subtransmission Service as Excluded Services, to adopt the values stated in the decision on Annual Revenue Requirement and Smoothed Maximum Annual Revenue.



	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
105	2005-038 RC	In the Matter of the Adoption of the Generation Rate Adjustment Mechanism (2nd GRAM)	National Power Corporation – Small Power Utilities Group (NPC-SPUG)	Decision dated February 10, 2006. Deferred Accounting Adjustments (DAAs) of PhP660.2 Million for Luzon, PhP85.2 Million for Visayas, and PhP118.0 Million for Mindanao recoverable in three (3) years were approved.
106	2005-036 RC	In the Matter of the Petition for Approval/ Review of the Power Supply Agreement (PSA) with Bantayan Island Power Corporation (BIPCOR) and Approval of Composite Rates with Prayer for Provisional Authority	Bantayan Island Electric Cooperative, Inc. (BANELCO) and Bantayan Island Power Corporation (BIPCOR)	Decision dated February 15, 2006. The application was approved subject to the modification that the CPI of Cebu should be used instead of the foreign exchange index and the retail price index for the National Capital Region since the project is peso denominated and the power plants are in Cebu and that the fuel rate of PhP0.26li/kWh is allowed instead of PhP0.28li/kWh.
107	2005-031 MC	In the Matter of the Violation of ERC Orders, Rules and Regulations	Pampanga I Electric Cooperative, Inc. (PELCO I)	Decision dated July 26, 2006. PELCO I was fined PhP212,700 for not implementing the revised unbundled rates effective the billing month of April 2003.
108	2005-029 RC	In the Matter of the Application for Approval of Revised Rate Schedule in Compliance with the Distribution Wheeling Rates Guidelines, and for Approval of Appraisal of Properties	Dagupan Electric Corporation (DECORP)	Decision dated April 19, 2006. An Overall Average Tariff Adjustment (OATA) of PhP0.2019/kWh was approved.
109	2005-022 CC	Antonio Atendido Tan versus Ramon de Vera, Jose Cabanilla, Ester M. Santos, all Employees of NEA Management Team (NMT) of Nueva Ecija III Electric Cooperative, Inc. (NEECO III) and Edita S. Bueno, Leila Bonifacio, Mila Quinahan, all Employees of National Electrification Administration (NEA)	Antonio Atendido Tan	Decision dated July 18, 2006. Double-charging by NMT/NEECO III of customers for the billing period September 10, 2004 to October 10, 2004 was confirmed. NMT/NEECO III was directed to strictly implement the ERC's directive relative to its confirmation of its PPA charges.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
110	2005-019 RC	In the Matter of the Application for Approval of the Electric Sales Agreement (ESA) as Amended by the Memorandum of Clarification on the Renewable Energy Sales Agreement Between Ilocos Norte Electric Cooperative, Inc. (INEC) and Northwind Power Development Corporation, with Prayer for the Issuance of Provisional Authority	Ilocos Norte Electric Cooperative, Inc. (INEC)	Decision dated February 22, 2006. The application was approved. In case the NPC rate is no longer applicable, they may renegotiate, subject to ERC approval, the pricing scheme to reflect the true cost of generation.
111	2005 – 017 RC	In the Matter of the Petition for the Availment of the Environmental Charge/ Share from the Universal Charge for the Rehabilitation and Management of Watershed Areas with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated April 11, 2006. The Consolidated Watershed Management Program for Availment of Environmental Charge under Republic Act No. 9136 (CY 2003-2005) was approved. NPC was allowed to avail PhP182 Million and given flexibility to use funds for unforeseen but necessary projects in the course of its watershed management operations.
112	2004 – 78	In the Matter of the Petition for the Availment of the Environmental Charge/ Share from the Universal Charge for the Rehabilitation and Management of Watershed Areas with Prayer for Provisional Authority		
113	2003 – 186	In the Matter of the Petition for the Availment of the Environmental Charge/ Share from the Universal Charge for the Rehabilitation and Management of Watershed Areas		
114	2005-016 RC	In the Matter of the Application for Approval of the Renewal of the Electric Power Supply Agreement (EPSA) Entered into by and Between Hydro Electric Development Corporation and San Fernando Electric Light and Power Company, with Prayer for Provisional Authority	San Fernando Electric Light and Power Company, Inc. (SFELAPCO)	Decision dated July 4, 2006. The application was approved subject to the limitation that the penalty for late payment of power bills and other costs due to operational inefficiencies shall not be passed on to consumers.
115	2005-013 RC	In the Matter of the Petition for Approval of the Inclusion to AKELCO's Retail Rate of Cost from the 5MW and 12.5MW Electric Power Purchase Agreements (EPPA) as Amended, with Mirant Global Corporation (MIRANT)	Aklan Electric Cooperative, Inc. (AKELCO)	Decision dated August 2, 2006. The EPPAs were approved subject to the base rate of PhP2.4375/kWh, the Operation and Maintenance component of which shall be adjusted based on the Consumer Price Index (CPI).
116	2005-014 RC	In the Matter of the Application for Authority to Implement/Charge the Local Franchise Tax Rate in the Cities of Parañaque, Malolos, and Trece Martires,	Manila Electric Company (MERALCO)	Decision dated February 1, 2006. The application was approved subject to the conditions that the Distribu

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
117	2005-010 RC	and in the Province of Cavite, with Prayer for Provisional Authority In the Matter of the Application for Approval of the (a) Renewal of Electricity Purchase Agreement and (b) Extended Electricity Purchase Agreement (EPA) Entered into by and Between Angeles Electric Corporation and Angeles Power Inc., with Prayer for Provisional Authority	Angeles Electric Corporation (AEC)	tion Charge should be the basis of computing the Local Franchise Tax (LFT), that in the meantime, the Tax Recovery Adjustment Cost (TRAC) formula shall be used, and that MERALCO shall submit a proposed recovery period for the LFT arrearages. Decision dated February 22, 2006. The application was approved with modification to the effect that the Ceiling Rates provision of both contracts be limited to the Time-of-Use rates imposed by the NPC and the TRANSCO wheeling rates. In case the NPC rate is no longer applicable, they may renegotiate, subject to ERC approval, the pricing scheme to reflect the true cost of generation.
118	2005-002 RC	In the Matter of the Application for Approval of the Electric Power Supply Agreement Between Davao Light and Power Company, Inc. (DLPC) and Hydro Electric Development Corporation, with Prayer for Provisional Authority	Davao Light and Power Company, Inc. (DLPC)	Decision dated February 13, 2006. The application was approved. In case the NPC rate is no longer applicable, they may renegotiate, subject to ERC approval, the pricing scheme to reflect the true cost of generation.
119	2005-001 RC	In the Matter of the Application for Approval of the Renewal of the Electric Power Supply Agreement Between Davao Light and Power Company, Inc. (DLPC) and Hydro Electric Development Corporation, with Prayer for Provisional Authority	Davao Light and Power Company, Inc. (DLPC)	Decision dated February 13, 2006. The application was approved. In case the NPC rate is no longer applicable, they may renegotiate, subject to ERC approval, the pricing scheme to reflect the true cost of generation.
120	2004 – 475	In the Matter of the Application for Authority to Construct and Maintain a 34KM. 69 KV Line from San Francisco to Talacogon, Agusan del Sur with Prayer for Provisional Authority	Agusan del Sur Electric Cooperative, Inc. (AGELCO)	Decision dated May 18, 2006. The application was approved. A temporary permit fee in the amount of PhP434,929.50 was imposed.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
121	2004-449	In the Matter of the Application for the Approval of a Subsidized/Approved [Formerly Termed "Socially-Acceptable"] Generation Rate (SAGR) and Corresponding Universal Charge Missionary Electrification Subsidy (UC-ME Subsidy) for Fourteen (14) First Wave NPC-SPUG Areas	National Power Corporation-Small Power Utilities Group (NPC-SPUG)	Decision dated December 16, 2005. For the Luzon island groups included in the 14 First Wave NPC-SPUG areas, a uniform increase in the SAGR of PhP1.934/kWh were approved except in Masbate wherein only PhP1.4103/kWh increase in SAGR was approved. No increase was approved for the Visayas and Mindanao areas.
122	2004-436	In the Matter of the Application for Authority to Install, Construct and Maintain Proposed Major Projects for Year 2004, with Prayer for Provisional Authority	Angeles Electric Corporation (AEC)	Decision dated February 20, 2006. The application for the installation, construction, and maintenance of 69kV transmission lines, primary lines (13.8 kV) and secondary lines (220 kV), and the expansion of the Calibu substation was approved. A permit fee of PhP637,258.30 was imposed.
123	2004-427	In the Matter of the Petition for Approval of the Supplemental Agreement Between VECO and Toledo Power Corporation with Prayer for Issuance of Provisional Authority	Visayan Electric Company, Inc. (VECO)	Decision dated February 20, 2006. The applications were approved. The Provisional Authority previously issued was made permanent.
124	2004-01	In the Matter of the Petition for Approval/ Review of the Amended and Restated Electric Power Purchase Agreement with Toledo Power Company with Prayer for Issuance of Provisional Authority		
125	2004 – 396	In the Matter of the Application for the Issuance of Certificate of Public Convenience and Necessity for the Operation of Electric Service in San Pablo City, Province of Laguna, with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated March 23, 2006. The CPCNs applied for were issued. The provisional authority granted on December 6, 2004 was made permanent and made effective until June 28, 2028 as provided in MERALCO's approved franchise.
126	2004 – 395	In the Matter of the Application for the Issuance of Certificate of Public Convenience and Necessity for the Operation of Electric Service in the Municipality of Tiaong, Province of Quezon, with Prayer for Provisional Authority		

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
127 128	2004-383 2004-252	In the Matter of Violation of ERC Orders, Rules and Regulations (Construction of 37 projects without ERC approval in violation of Sec. 9(d) of R.A. No. 9136)	National Transmission Corporation (TRANSCO)	Decision dated March 1, 2006. Six (6) of the 37 projects were excluded as these were executed by IPPs. TRANSCO was fined PhP 9.44 M.
129	2004-376	In the Matter of the Application for Authority to Convey Property by Exchange for the Establishment of Substation in Carmelray Industrial Park, Canlubang, Calamba City, Laguna with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated August 24, 2006. The application was approved subject to the limitation that the subject lot should not be included as part of the rate base as it was acquired through donation.
130	2001-622	In the Matter of the Application for Authority to Convey Property by Exchange for the Establishment of Substations		
131	2004-295	In the Matter of the Application for Approval of the Memorandum of Understanding (MOU) Between and Among Manila Electric Company (MERALCO), Sunpower Philippines Mfg. Ltd. (SUNPOWER), National Transmission Corporation (TRANSCO), National Power Corporation (NPC) and Mirant Energy Corporation (MIRANT); The Agreement for the Sale of Electric Energy Between MERALCO and SUNPOWER (ASEE); The Electric Power Purchase Agreement Between MERALCO and MIRANT (PPA); Amendment/Supplement to NPC - MERALCO Contract for Supply of Electricity; Transmission Service Agreement Between MERALCO and TRANSCO (TSA); and the Protocol on NPC and Mirant Generation Dispatch for the Electricity Requirement of Sunpower (PROTOCOL) with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated March 1, 2006. The Agreement for the Sale of Electricity Energy between MERALCO and SUNPOWER, the Electric Power Purchase Agreement between MERALCO and MIRANT, the Amendment/ Supplement to NPC MERALCO Contract for Supply of Electricity, the Transmission Service Agreement between MERALCO and TRANSCO, and the Protocol on NPC and MIRANT Generation Dispatch for the Electricity Requirements of SUNPOWER were approved. SUNPOWER, on the other hand, was not exempted from the Inter-Class and Lifeline Rate subsidies, nor was it allowed to fix the Universal Charge. MERALCO was enjoined to pass on to customers a system loss in excess of 1.5% resulting from the said contract.
132	2004-180	In the Matter of the Application to Charge Royalty Fee to Directly-Connected Customers of the National Power Corporation	Albay Electric Cooperative, Inc. (ALECO)	Decision dated July 26, 2006. The application was dismissed for lack of jurisdiction since an

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
133	2004 – 162	In the Matter of the Application for the Issuance of Certificate of Public Convenience and Necessity for the Operation of Electric Service in the Municipality of Maripipi with Prayer for Provisional Authority	Maripipi Multi-Purpose Cooperative, Inc. (MMPC)	unauthorized person filed the same. Decision dated March 8, 2006. The application was approved. A CPCN is issued effective September 3, 2003 to September 2, 2028.
134	2004-145	In the Matter of the Application for the Approval of the Sale of Various Subtransmission Assets within the Franchise Area of Cabanatuan Electric Corporation (CELCOR)	National Transmission Corporation (TRANSCO)	Decision dated May 24, 2006. The sale of the Cabanatuan-CELCOR 69kV sub-transmission line for a net price of PhP11,161,446.44 was approved.
135	2004 – 102	In the Matter of the Application for the Approval of the Sale of Various Subtransmission Lines/Assets within the Franchise Area of San Fernando Electric Light and Power Company, Inc. (SFELAPCO)	San Fernando Electric Light and Power Company, Inc. (SFELAPCO)	Decision dated March 15, 2006. The sale of the Mexico-SFELAPCO (Magdalena and SMC) and Mexico-Elegant lines to SFELAPCO at a net price of PhP12,632,438.42 was approved.
136	2004 – 74	In the Matter of the Application for the Approval of the Amendments to the Power Purchase Agreements Between (a) First Gas Power Corporation (STA. RITA) and Manila Electric Company, and (b) FGP Corporation (San Lorenzo) and Manila Electric Company with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated May 31, 2006. The application was approved. MERALCO is directed to pass on to its customers whatever discounts it may derive from the effects of this approval.
137	2004-10	In the Matter of the Application for Authority to Withdraw from the Service the Equipment and/or Machineries Installed at Lucban Substation Located in Lucban, Province of Quezon with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated July 26, 2006. The retirement of the equipment and machineries at the Lucban Substation was approved since the Tayabas Substation can adequately service the area even in the absence of the Lucban Substation.
138	2003-557	In the Matter of the Application for Authority to Secure a Thirty Million Five Hundred Thousand (PhP 30,500,000.00) Peso Loan with the Union Bank of the Philippines, with Prayer for Provisional Authority	Cotabato Light and Power Company, Inc. (CLPC)	Decision dated September 14, 2006. The loan, intended for the capital and other pertinent expenditures needed for the modernization and rehabilitation of CLPC's distribution system, was approved.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
139	2003-524	In the Matter of the Reclassification of Tongonan-PASAR Transmission Lines from Sub-transmission to Transmission Asset	Philippine Associated Smelting and Refining Corporation (PASAR)	Decision dated April 26, 2006. The classification of the 3.4 km-138kV lines from the Isabel Substation to the PASAR Substation as sub-transmission assets were retained while that of the 35 km – 138kV lines from Tongonan to Isabel Substation, including the Switchyard in Mahayag, Isabel, Leyte were classified as transmission assets.
140	2003-424	In the Matter of the Petition for the Availments from Universal Charge the Share for Missionary Electrification	National Power Corporation-Small Power Utilities Group (NPC-SPUG)	Decision dated February 28, 2006. The provisional authority was made permanent. An annual release of Php1.34 B from the UC-ME was authorized for the missionary electrification program for the years 2005-2008.
141	2003-400	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Siasi Electric Cooperative, Inc. (SIASELCO)	Decision dated March 1, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled Php5.3 M.
142	2003-305	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Albay Electric Cooperative, Inc. (ALECO)	Decision dated January 3, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled Php298.9 M.
143	2003-282	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Lanao del Norte Electric Cooperative, Inc. (LANECO)	Decision dated July 26, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of Php16,370,000 are likewise approved.
144	2003-276	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	First Bukidnon Electric Cooperative, Inc. (FIBECO)	Decision dated June 1, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of Php6,520,916 are likewise approved.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
145	2003-266	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Camarines Sur II Electric Cooperative, Inc. (CASURECO II)	Decision dated May 31, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP11,003,000 are likewise approved.
146	2003-265	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Camarines Sur I Electric Cooperative, Inc. (CASURECO I)	Decision dated August 16, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP14,908,250 are likewise approved.
147	2003-257	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Marinduque Electric Cooperative, Inc. (MARELCO)	Decision dated June 1, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP2,053,500 are likewise approved.
148	2003-253	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provisions of R.A. 9136	Aurora Electric Cooperative, Inc. (AURELCO)	Decision dated June 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP9,882,000 are likewise approved.
149	2003-250	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Don Orestes Romualdez or Leyte I Electric Cooperative, Inc. (DORELCO/ LEYECO I)	Decision dated June 1, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP16,298,400 are likewise approved.
150	2003-246	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)	Decision dated August 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP27,973,126.30 are likewise approved.
151	2003-244	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Bohol II Electric Cooperative, Inc. (BOHECO II)	Decision dated August 24, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP10,065,000 are likewise approved.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
152	2003-243	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Bohol I Electric Cooperative, Inc. (BOHECO I)	approved. Decision dated August 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP5,092,900 are likewise approved.
153	2003-237	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provisions of R.A. 9136	Quirino Electric Cooperative, Inc. (QUIRELCO)	Decision dated June 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP2,221,335.20 are likewise approved.
154	2003-221	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Negros Occidental Electric Cooperative, Inc. (NOCECO)	Decision dated August 16, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP26,726,000 are likewise approved.
155	2003—217	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Iloilo I Electric Cooperative, Inc. (ILECO I)	Decision dated August 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP8,899,530.25 are likewise approved.
156	2003-216	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Guimaras Electric Cooperative, Inc. (GUIMELCO)	Decision dated June 1, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP5,939,866 are likewise approved.
157	2003-191	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Panay Electric Company, Inc. (PENELCO)	Decision dated June 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP818,500 are likewise approved.
158	2003-162	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code	Agusan del Sur Electric Cooperative, Inc. (ASELCO)	Decision dated August 16, 2006. The Statement of Compliance was approved. The Compliance Plans with

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
159	2003-159	Pursuant to the Provision of Republic Act No. 9136 In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Guimaras Electric Cooperative, Inc. (GUIMELCO)	a total estimated cost of PhP2,772,545 are likewise approved. Decision dated February 13, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP102.82 M.
160	2003-145	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Dinagat Island Electric Cooperative, Inc. (DIELCO)	Decision dated September 4, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP8.79 Million.
161	2003 – 139	In the Matter of the Application for the Issuance of Certificate of Public Convenience and Necessity for the Operation of Electric Service in the following Cities and Municipalities: Malabon, Manila, Pasay, Mandaluyong, Quezon, Caloocan, Makati, Parañaque, Las Piñas, Navotas and San Juan, with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated March 23, 2006. The provisional authority granted to MERALCO on March 24, 2003 was made permanent effective from June 28, 2003 to June 27, 2028 as provided in its approved franchise.
162	2003 – 138			
163	2003 – 137			
164	2003 – 136			
165	2003 – 135			
166	2003 – 134			
167	2003 – 133			
168	2003 – 132			
169	2003 – 131			
170	2003 – 130			
171	2003 – 129			
172	2003-94	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Negros Oriental II Electric Cooperative, Inc. (NORECO II)	Decision dated February 13, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP105.5 M.
173	2003-82	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Camarines Sur II Electric Cooperative, Inc. (CASURECO II)	Decision dated March 1, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP278.5 M.
174	2003-81	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Davao Oriental Electric Cooperative, Inc. (DORECO)	Decision dated May 31, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP4,166,880 are likewise approved.



	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
175	2003-65	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Panay I Electric Cooperative, Inc. (PANELCO I)	Decision dated April 19, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP215.2 M.
176	2003-37	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provisions of R.A. 9136	Davao del Norte Electric Cooperative, Inc. (DANECO)	Decision dated June 14, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP44,168,600 are likewise approved.
177	2003-33	In the Matter of the Omnibus Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Nueva Ecija I Electric Cooperative, Inc. (NEECO I)/ Nueva Ecija II Electric Cooperative, Inc. (NEECO II)/ Peninsula Electric Cooperative, Inc. (PENELCO)/ Tarlac I Electric Cooperative, Inc. (TARELCO I)/ Tarlac II Electric Cooperative, Inc. (TARELCO II)/ Zambales I Electric Cooperative, Inc. (ZAMECO I)/ Zambales II Electric Cooperative, Inc. (ZAMECO II)	Partial Decision dated May 29, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP235 Million for NEECO I. (The application of other ECs were approved in a Decision dated June 14, 2005).
178	2003-17	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119 with Prayer for Provisional Authority	Negros Occidental Electric Cooperative, Inc. (NOCECO)	Decision dated February 27, 2006. The provisional authority was made permanent. The outstanding loan condoned totaled PhP181.05 M.
179	2003-10	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Davao del Sur Electric Cooperative, Inc. (DASURECO)	Decision dated June 1, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP16,970,000 are likewise approved.
180	2002-342	In the Matter of the Application for Approval of a Reduction of Rates in Compliance with Section 60 of Republic Act No. 9136	Pampanga I Electric Cooperative, Inc. (PELCO I)/ Pampanga	Partial Decision dated January 3, 2006. Except for the application of PELCO I,

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
		and Executive Order No. 119 with Prayer for Provisional Authority	II Electric Cooperative, Inc. (PELCO II)/ Pampanga III Electric Cooperative, Inc. (PELCO III)/ Pampanga Rural Electric Service Cooperative, Inc. (PRESCO)	which has yet to be decided, the provisional authorities issued to the applicants were made permanent. The outstanding loan condoned totaled PhP365.4 Million for PELCO II, PhP183.9 Million for PELCO III, and PhP37.2 Million for PRESCO.
181	2002-341	In the Matter of the Application for Approval of the Statement of Compliance and Compliance Plan to the Philippine Grid Code and the Philippine Distribution Code Pursuant to the Provision of Republic Act No. 9136	Antique Electric Cooperative, Inc. (ANTECO)	Decision dated August 15, 2006. The Statement of Compliance was approved. The Compliance Plans with a total estimated cost of PhP10,367,000 are likewise approved.
182	2002-28	In the Matter of the Application for Approval of the Sound Value Appraisal of Applicant's Properties	Visayan Electric Company, Inc. (VECO)	Decision dated March 8, 2006. The application was approved with a Cost of Reproduction New of PhP4.54 Billion and Sound Value of P2.45 Billion as of August 9, 2001.
183	2001 – 928	In the Matter of the Application for Approval of the Unbundled Rates Pursuant to the Provisions of Republic Act No. 9136	Dinagat Island Electric Cooperative, Inc. (DIELCO)	Decision dated February 15, 2006. An Overall Average Tariff Adjustment (OATA) of PhP0.1853/kWh was approved.
184 185	2001-84 22001-58	In the Matter of the Petition for Authority for the Inclusion of the Power Purchase Agreement with Island Power Corporation (IPC) in the Fuel and Purchased Power Clause Adjustment (FPCA) with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated June 28, 2006. The PPA was approved subject to the recoverable base energy of PhP2.50 plus fuel cost adjustment.
186	2001 – 816	In the Matter of the Petition for Authority for the Inclusion of the Power Purchase/ Energy Conversion Agreement of the San Roque Multipurpose Project in the Fuel and Purchase Power Adjustment (FPCA) with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated February 24, 2006. The petition was approved but the rate is pegged at the effective rate of the Luzon Grid or the purchased power cost under the Agreement, whichever is lower. Any amount in excess of the PhP3.8299/kWh (capacity fee for the San Roque plant) shall be part of the energy charge allowable under the GRAM.

	CASE NUMBER	CASE TITLE	APPLICANT/ COMPLAINANT/ RESPONDENT	DECISION
187	2001 – 814	In the Matter of the Petition for Authority for the Inclusion of the Power Purchase/ Energy Conversion Agreement of the Natural Gas Combined Cycle Power Plant Project (NATGAS) in the Fuel and Purchase Power Adjustment (FPCA) with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated May 24, 2006. The petition was approved. The provisional authority granted on September 13, 2004 was made permanent.
188	2001-813	In the Matter of the Petition of Authority for the Inclusion of the Power Purchase/ Energy Conversion Agreement of the Bakun Hydro Electric Power Plant Project (BAKUN) in the Fuel and Purchased Power Clause Adjustment (FPCA) with prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated August 24, 2006. The petition was approved. Any amount in excess of PhP3.8299/kWh (capacity fee for the San Roque plant) shall be part of the energy charge allowable under the GRAM.
189 190	2001-797 2001-13	In the Matter of the Application for the Approval of Electric Capital Projects within the Franchise Area for the Calendar Year 2001 with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated May 15, 2006. The application was approved. A temporary permit fee in the amount of PhP19,189,846.37 was imposed.
191	2001 – 756 (2000-167)	In the Matter of the Application for Approval of Electric Capital Projects within the Franchise Area for the Calendar Years 1994, 1995, 1996, 1997, 1998, 1999 and 2000 with Prayer for Provisional Authority	Manila Electric Company (MERALCO)	Decision dated May 15, 2006. The application was approved. A permit fee in the amount of PhP57,234,895.07 was imposed.
192	2001 – 714	In the Matter of the Petition for Authority for the Inclusion of the power Purchase / Energy Conversion Agreement of the Mindanao II Geothermal Power Plant Project (Mt. Apo II) in the Fuel and Purchase Power Adjustment Clause (FPCA) with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated March 22, 2006. The application was approved subject to the limitation that the recoverable rate amounts to PhP1.2008/kWh plus the escalation factor provided in the contract.
193	2001-457 (98-50)	In the Matter of the Application for Authority for the Inclusion of the Power Purchase/ Energy Conversion Agreement of the Casecan Multi-Purpose Project in the Fuel and Purchased Power Adjustment Clause (FPCA) with Prayer for Provisional Authority	National Power Corporation (NPC)	Decision dated March 1, 2006. The application was approved at a rate equal to US\$0.0734/kWh. Any under-recovery between the provisionally approved rate of PhP3.8299/kWh and the final approved rate shall be recovered through the GRAM.